

Important Information for Members

Message from the Chair

Dear Member

Following consultation with employers last year, the Social Housing Pension Scheme (SHPS) Pensions Committee is introducing new benefit structure options. This document is intended to give active members a consistent message about the new benefit structures that SHPS will offer from 2010.

Your employer may consult with you over a change to your pension or an increase to your pension contribution. If this is the case, then your employer will provide you with more information at the appropriate time.

I also need to draw to your attention that SHPS will not accept transfers into the Final Salary or CARE benefit structures with effect from 1 April 2010. This measure is intended to protect the Scheme and many other private sector schemes have taken the same step. Going forward it may be possible to transfer into the Defined Contribution (DC) benefit structure, subject to certain conditions being met.

Transfers into the Final Salary or CARE benefit structures 'in progress' at 1 April 2010 will be allowed to proceed but strict time limits will be applied to the member decision making process.

If you want to investigate a transfer then please download the 'Transfer Form of Authority' from the SHPS website at www.shps.org.uk



Colin Small
Chair
SHPS Pensions Committee
June 2009



Key Points

- The provisional results of the actuarial valuation show that the cost of providing benefits from SHPS has increased.
- As we reported in our 2008 Annual Review the SHPS Pensions Committee has consulted with employers about the Scheme's benefit structures and the related funding requirements.
- Now that the provisional valuation results are available, the SHPS Pensions Committee has finalised three new benefit structures and has written to employers.
- This document gives all current active members of SHPS an overview of the Review and the changes.
- Any changes introduced by your employer under the Review will not take effect until 2010. Pension benefits earned up to this date are not affected.
- If your employer proposes any changes to your benefit structure and/or your contribution rates, you will receive further information from your employer and you may be consulted about the proposals.
- SHPS will close to transfers into the Final Salary and CARE benefit structures on 1 April 2010. You will have to take action quickly if you wish to investigate a transfer into either of these benefit structures of SHPS.

How good is the funding position of SHPS?

The valuation as at 30 September 2008 has revealed that costs are continuing to increase. The provisional results of the actuarial valuation show a deficit of £663 million at 30 September 2008. This means that the funding level of liabilities represented by assets is 69.7%. At the last valuation in September 2005 the deficit was £283 million and liabilities were 82% funded. The cost of providing future benefits has also gone up.

SHPS, like most defined benefit pension schemes, has been considerably affected by the current financial crisis and falls in investment markets. The SHPS Pensions Committee has also had to take account of current research showing that people are living longer and longer.

At present SHPS has sufficient money to pay members' benefits as they arise. However, we have to make sure that there are adequate funds to meet benefit liabilities in the future, particularly if the Scheme was to be discontinued.

What is the objective of this further SHPS Review?

The SHPS Pensions Committee's objective in undertaking this Review is to make sure that as many employers as possible, hopefully all employers, will be able to remain within SHPS and continue to offer their employees a good quality pension scheme. In order to achieve this objective it is necessary to extend the choice of benefit and funding structures within the Scheme.

What are the current benefit structure options?

Employers currently have three benefit structure options to offer staff:

- 'Final Salary 60ths' - benefits are based on 1/60th of the member's final pensionable earnings for each year of their membership.
- 'Final Salary 70ths' - benefits are based on 1/70th of the member's final pensionable earnings for each year of their membership.
- 'CARE 60ths' – members receive a benefit of 1/60th for each year of membership based on their career average salary.

What new benefit structures are being added?

Following consultation with employers during 2008, three further benefit structure options will be added to SHPS in 2010. These are:

- 'Final Salary 80ths' - benefits will be based on 1/80th of the member's final pensionable earnings for each year of their membership. This benefit structure will be available from April 2010.
- 'CARE 80ths' – members receive a benefit of 1/80th for each year of membership based on their career average salary. This benefit structure will be available from April 2010.
- A 'Defined Contribution' benefit structure. Members' benefits will depend on the size of the fund built up during their membership, and the cost of buying a pension at retirement. This benefit structure will be available from October 2010.

The 'Final Salary 70ths' benefit structure will continue for employers who currently use it and wish to continue offering it, but no new employers will be able to use it from April 2010.

From 2010 employers will therefore have five ongoing benefit structures to consider for use for existing and new staff.

How will the final decision on choice be made?

Your employer will make the final decision on any changes to your benefit structure and/or member contribution rate. Your employer should advise you of any changes they are considering or proposing.

Employers with 50 or more staff must, by law, consult with affected employees on proposed changes to the Scheme relating to the benefits provided and/or to the contributions payable by employees. We are recommending that all SHPS employers consult as a matter of good practice, so that employees' views can be taken into account.

Following consultation and after proper consideration of the representations of their employees, each employer must decide on the benefit structure(s) and associated contribution arrangements for their organisation. This decision must be notified to the SHPS Pensions Committee by 30 November 2009 for changes to be introduced in 2010.

Will I be able to choose what sort of pension I want?

It is not practical to allow individual member choice. Your employer, following consultation with its employees, will decide on benefit and contribution structure(s) for your organisation.

Will I have to pay more?

We can't answer this question. This will depend on your employer and the benefit structure(s) chosen for you and your colleagues. Your employer may wish to discuss with you how the total contribution required will be split between the employer and the members of the Scheme.

Why should I pay more for my pension?

On average, people are now living longer and therefore any benefits paid from the Scheme are paid for longer. You will need an income when you stop working and you should think carefully about how much you are prepared to pay for it.

A pension scheme such as SHPS still provides good value for money, especially after tax allowances are taken into account. The decision as to whether members will be asked to pay higher contributions rests with your employer. Whatever the outcome, your employer will continue to meet a significant amount of the total cost.

Will pensioners or members with deferred pensions be affected?

No. Any changes will only affect benefits built up in respect of service from 1 April or 1 October 2010.

What is the timescale for change?

The proposed effective earliest date for any change is 1 April 2010 (for the 'defined benefit' – CARE and Final Salary – benefit structures) and 1 October 2010 (for the Defined Contribution benefit structure).

Will these changes affect my benefits?

The pension you have built up in respect of your SHPS membership up to the date of any change will not be affected by this Review.

For membership after that date there are a number of possible scenarios, depending on what your employer decides after consultation with its workforce. It is possible that your employer may decide to choose a different benefit structure for new staff but retain the existing benefit structure for present staff.

Transfers in

SHPS will no longer accept any transfers into the Final Salary and CARE benefit structures with effect from 1 April 2010. This measure is intended to protect the Scheme and many other private sector schemes have taken the same step. Future transfers may be accepted to the Defined Contribution benefit structure only, as long as certain requirements are met.

Any transfers 'in progress' at 1 April 2010 will be allowed to proceed but strict time limits will be applied to the member decision making process.

If you want to investigate a transfer then please download the 'Transfer Form of Authority' from the SHPS website at www.shps.org.uk

Further assistance

If you require further information on the content of this document you should contact your employer in the first instance.

Colin Small
Chair
SHPS Pensions Committee
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