

shps

House Policies and Rules Employer Guide



Defined Benefit and Defined Contribution

Social Housing Pension Scheme

August 2011



Administered by
The Pensions Trust

House Policies and Rules



Contents

1. Introduction	Page 3
2. Background	Page 3
3. Employer Responsibilities	Page 5
4. House Policies and Rules	Page 5
- Benefit structures policy	Page 5
- Contribution rates and charges	Page 7
5. Member Movements	Page 12
6. Defined Contribution Schemes outside of SHPS	Page 13
7. Closed Scheme and Withdrawal from SHPS	Page 13
8. Other	Page 15
- TUPE transfers	Page 15
- Transfers of benefits into the Scheme	Page 15
- Mergers and group reorganisations	Page 15
9. Defined Contribution Benefit Structure	Page 16
10. Glossary of Terms	Page 17
11. The SHPS Team	Page 19

I. Introduction

Following the introduction of benefit structure choice from April 2007 the Social Housing Pension Scheme (SHPS) Pensions Committee documented the key 'house policies and rules' by means of the House Policies and Rules Employer Guide. As part of the 30 September 2008 Actuarial Valuation the number of Defined Benefit structures has been extended and a Defined Contribution benefit structure will be available from October 2010. This revised House Policies and Rules Employer Guide documents the revised terms applicable to SHPS from April 2010. The new Defined Contribution benefit structure from October 2010 anticipates the introduction by the Government of 'employer duties' regarding auto-enrolment into a qualifying pension arrangement, and its proposed Personal Accounts scheme.

The SHPS Defined Contribution benefit structure has been designed to meet the quality criteria for qualifying pension arrangements by providing a more generous minimum contribution structure.

An employer wanting to merely comply with the absolute minimum requirements of the 'employer duties' regulations will be required, at some point after October 2012, to enrol staff automatically into Personal Accounts.

The 2010 Benefit Review also considered some administrative aspects and all employers participating in SHPS will be transitioned to a web-based eBusiness solution operated by The Pensions Trust for monthly submission of contributions and data. This will provide a means of controlling future administration costs and risks associated with the transfer of data. All employers selecting the new SHPS Defined Contribution benefit structure and new employers joining SHPS will be required to submit data for all members, via The Pensions Trust eBusiness solution, at the outset.

If you have any queries on the content of this Guide you should contact The Pensions Trust. Contact details can be found in section 11.

2. Background

History

SHPS was established in 1977 as the NFHA/HC Pension and Assurance Scheme. Since 1985 SHPS has operated as a scheme within The Pensions Trust (which administers schemes for third sector organisations).

From small beginnings – 65 founder employers and 405 members – SHPS has developed into an industry-wide scheme with around 700 employers and over 58,000 members (as at October 2009). SHPS is a centralised occupational pension scheme providing pension and life assurance benefits on a Defined Benefit basis. Benefits on a Defined Contribution basis will be introduced from 1 October 2010.

Role of the SHPS Pensions Committee (the Committee)

The Committee has an overall responsibility to ensure that SHPS is well managed and administered. The Committee has a specific responsibility in relation to the interests of employers which operates alongside its fiduciary responsibility to act in the best interests of the members.

The Committee is a Sub Committee of the Board of Directors of Verity Trustees Limited (the Trustee of all the schemes within The Pensions Trust). The members of the Committee are expected to conduct their business in accordance with the principles of trusteeship for pension schemes.

The Committee has delegated responsibility for a number of operational functions under the broad areas of Administration, Business Development, Investment, Actuarial and Audit & Finance. Key functions include:

- to approve benefit structures, including contribution rates and procedures relating to transfers;
- to approve new employers joining the Scheme;
- to ensure proper administration of the Scheme, including maintenance of membership records and production of Benefit Statements;
- to approve the asset management strategy;
- to approve triennial and interim valuation reports; and
- to approve house policies and rules or other provisions for the Scheme.

In addition to these specific functions the Committee undertakes a broad range of monitoring of the work of The Pensions Trust in relation to SHPS. This includes quarterly reviews of the administration of the Scheme and the investment performance, periodic independent value for money reports and regular monitoring of the terms of the Service Agreement between the Committee and The Pensions Trust.

Membership of the Committee comprises: three members elected by active and deferred members; three members elected by employers; one member elected by the Scheme's pensioners; one nominee from each of the National Housing Federation and Community Housing Cymru; and up to two co-opted members. Elections are held every two years. The Committee also employs its own Scheme Adviser.

Working principles

In the conduct of its business the Committee seeks to adopt the following approach to its work:

To be proactive: To take the initiative in addressing the many issues confronting pensions generally and SHPS specifically. The Committee is particularly concerned to take the lead in key areas of primary interest to both employers and members.

To consult: In recent years the Committee has undertaken a series of major consultations involving employers, and through them members. The statutory duty to consult with members now lies with employers. Consultation remains an important process in identifying key issues and opinions and will continue to be given high priority as an integral element in the Committee's management of the Scheme.

To be pragmatic: The world of pensions has become increasingly complex. Within the plethora of rules, regulations and practices the Committee seeks to adopt a practical common sense approach.

To promote fairness: In a multi-employer scheme like SHPS there can be many different and potentially conflicting interests. In its management of the Scheme the Committee seeks to promote the concept of fairness, to do what is fair and reasonable having due regard to all the circumstances and plurality of interests.

3. Employer Responsibilities

In January 1988 employers agreed to adopt a voluntary Code of Practice. From this time adoption of the Code has been a requirement of membership for new employers. The Code of Practice originally set out a number of obligations to which employers had to adhere. The House Policies and Rules Employer Guide replaced the Code of Practice following the first major review in 2007 and continues to set out in detail the current rules relating to membership of SHPS.

In addition to the policies and rules set out in this Guide, the Committee wishes to stress the overriding obligation that where SHPS is open to new entrants, participating employers should offer membership to all employees and encourage them to join.

The Committee considers this obligation to be fair, reasonable and necessary to maintain the integrity and financial strength of SHPS. The Committee will use the powers vested in it to secure adherence to this responsibility and, as appropriate, to apply sanctions for non-adherence.

4. House Policies and Rules

4.1 Benefit structures

Policy

The benefit structure options available in SHPS are as follows:

Benefit type	Prior to 1 April 2010	From 1 April 2010	Plus from 1 October 2010
Final Salary (contracted-out of the State Second Pension)	1/60th	1/60th	1/60th
	1/70th (from April 2007)	1/80th 1/70th (only if employer already offers this basis)	1/80th 1/70th (only if employer already offers this basis)
Career Average Revalued Earnings (CARE) (contracted-out of the State Second Pension)	1/60th (from April 2007)	1/60th	1/60th
		1/80th	1/80th
Defined Contribution (not contracted-out of the State Second Pension)	N/A	N/A	Available - minimum total contribution 6% (see section 4.2)

Please note: The Defined Benefit structures are contracted-out of the State Second Pension (S2P) and employers and members therefore pay lower National Insurance contributions.

The Defined Contribution benefit structure is not contracted-out and employers and members will pay full rate National Insurance contributions.

In addition death benefits are provided. Full details are included in the A Guide for Members booklets.

Rules

1. An employer can elect to operate different benefit structures for its active existing members and new entrants. The relevant contribution rate for each benefit structure will operate in respect of all of the members in a particular membership group and benefit structure.
2. An employer can only operate one open Defined Benefit structure plus the Defined Contribution benefit structure for new entrants at any one time. The benefit structures in place for pre-2007 members and 2007 – 2010 members can continue as live benefit structures but no new members can be admitted if a separate Defined Benefit structure has been selected for future members. However, existing employees as at 31 March 2007 and those members who transfer from one SHPS employer to another may, subject to the conditions set out in this document, be permitted to join a different benefit structure to that which is normally offered to new entrants. For further information see 'Member Movements'.
3. In the event that an employer elects to change to the CARE or Defined Contribution benefit structure for their active members, the revaluation of each member's accrued benefit under the previous Final Salary benefit structure up to the date of change will continue to be by reference to their final pensionable earnings. This will be reflected in the relevant deficit contribution rate. This will also apply if a member elects to switch from a live Final Salary benefit structure to an open CARE or Defined Contribution benefit structure offered by their employer.
4. If an employer elects to offer a new open benefit structure for new entrants from 2010 existing members can elect to change to the open benefit structure. Any change will be subject to any payroll time constraints set by the employer and a decision cannot be reversed at a later date.
5. Employers are able to review and make changes to the benefit structure and/or funding arrangements for their organisation. The operative date for any change will be the first day of any month.
 - A minimum of two months' written notice must be given to change contribution rates.
 - A minimum of three months' written notice must be given in respect of any change to the Defined Benefit structure arrangements.
 - A minimum of three months' written notice must be given for the introduction of the Defined Contribution benefit structure.

Employers can select from any of the benefit structures available under the Scheme. A new benefit structure can be used for new entrants only, or for existing active members (but only for future benefit accrual) **and** new entrants.

6. Any proposed changes to the benefit structure and/or the funding arrangements of an organisation's pension scheme must have due regard to the organisation's Terms and Conditions of employment.

Please note: The obligation on employers to consult with their employees on specified changes to pension schemes arises from the Pensions Act 2004. DWP guidance on the application of the consultation regulations is available on the SHPS website at www.shps.org.uk or at http://www.dwp.gov.uk/publications/dwp/2005/occ_pen_schemes/occ_personalpens_schemes_regs06.pdf

- Employers wishing to enhance CARE or Final Salary 1/70th or 1/80th benefit structures to a Final Salary 1/60th equivalent basis can do so by way of an augmentation payment which will be determined on actuarial advice. This augmentation facility only applies to employees of SHPS employers as at 1 December 2006. Age discrimination legislation prevents augmentation for employees who were employed by a SHPS employer on or after 1 December 2006 unless the reason is to enhance pension benefits in redundancy cases.

4.2 Contribution rates and charges

Policy

Defined Benefit structures

The total contribution rate for each Final Salary and CARE benefit structure will be determined at each Actuarial Valuation. The split of the total contribution rate between member and employer is set at individual employer level.

The total Final Salary or CARE contribution rates are made up of a future service rate and, if appropriate, a past service deficit rate. A new employer may not be required to pay the deficit rate on admission to SHPS until a subsequent Actuarial Valuation has been completed, see page 18 which sets out the current position. Details will be provided to a new employer on admission.

The future service and past service deficit contribution rates in operation with effect from 1 April 2010 are detailed below. The future service contribution is calculated as the relevant percentage of pensionable earnings for current active members.

Future service rate

Benefit structure	Future service contribution rate
1/60th Final Salary	17.8%
1/70th Final Salary	15.4%
1/80th Final Salary	13.5%
1/60th CARE	14.9%
1/80th CARE	11.9%

Past service deficit rate

The past service deficit rate payable with effect from 1 April 2010 is calculated separately and is based on active members' pensionable salaries as at 30 September 2008, the last valuation date. The amount is equivalent to 7.5% of pensionable salaries as at 30 September 2008 and is converted to a fixed annual amount, payable monthly, for each employer who is liable for the past service deficit contributions. The amount is subject to an annual increase of 4.7% from each 1 April.

Employers are notified each November of the total deficit contribution applicable from the following 1 April.

The past service deficit cost and allocation method will continue to be reviewed at each Actuarial Valuation.

Defined Contribution benefit structure

For the Defined Contribution benefit structure, and in anticipation of the introduction of employer duties and Personal Accounts, the minimum combined contribution rate has been set at 6%. The Defined Contribution benefit structure contributions are calculated with reference to the SHPS definition of pensionable earnings. The minimum combined contribution to the Defined Contribution benefit structure will rise to 8% when required by the employer duties regulations and the employer minimum contribution rate will be 3%.

Both employers and members may pay more than the minimum contribution and employers are permitted to operate an ‘employer matching’ or ‘non-contributory for members’ basis if they wish. The past service deficit contribution is only payable in respect of Defined Contribution members if they were previously members of a Defined Benefit structure at the last valuation.

There are some additional costs payable if the Defined Contribution benefit structure is selected. These payments will contribute towards the cost of establishing and administering the Defined Contribution benefit structure. The current cost allocation structure can be found on the SHPS website www.shps.org.uk and also on pages 16/17 of this Guide. The Committee will review the costs from time to time.

In addition the cost of providing the lump sum death-in-service benefit, currently calculated as 0.2% of pensionable earnings, will be deducted from the employer contributions paid to the Defined Contribution benefit structure on a member’s behalf.

Surcharges

In certain circumstances an employer may be liable to pay a surcharge, calculated as a percentage of current active Defined Benefit members’ pensionable earnings. Details are set out below.

Benefit type	Final Salary or CARE via	Defined Contribution	Surcharge
At employee choice	SHPS	Not offered	0%
At employee choice	SHPS	Insurer or other provider	1.5%
Defined Contribution benefit structure only	SHPS - closed to new entrants	Insurer or other provider	3%
Defined Contribution benefit structure only	SHPS - closed to new entrants	SHPS	1.5%
At employee choice	SHPS	SHPS	0%
Defined Contribution benefit structure only	No active members	SHPS	0%

Where the open option offered by the employer is Defined Contribution, the surcharge is calculated by reference to the pensionable earnings of those active members who continue to accrue benefits in a Defined Benefit structure. The surcharge is payable to the Defined Benefit section of the Scheme.

How auto-enrolment will affect the surcharge

Option	Defined Contribution available	Surcharge
Auto-enrol into SHPS Defined Benefit	Not offered	0%
Auto-enrol into Defined Contribution but employee can choose SHPS Defined Benefit	SHPS Defined Contribution	0%
Auto-enrol into Defined Contribution but employee can choose SHPS Defined Benefit	External Defined Contribution	1.5%
Auto-enrol into Defined Contribution with no open SHPS Defined Benefit	SHPS Defined Contribution	1.5%
Auto-enrol into Defined Contribution with no open SHPS Defined Benefit	External Defined Contribution	3.0%

Rules

- The employer must determine the split of contributions between members and the employer. (The previous requirement that the employer must meet no less than 50% of the total contribution rate has been removed from 1 April 2010.) It is likely that consultation with staff will be required by each employer prior to increasing members' contribution rates or introducing member contributions where the Scheme was previously non-contributory.
- Employers can elect to retain age banded member contribution rates or operate a single member contribution rate per Defined Benefit structure. If age bands are retained for Defined Benefit structures they must be:
 - under 30 years;
 - 30-39 years; and
 - 40 years and over.
- Contribution rates for these age bands must be set at:
 - 1.6% below the standard member rate for under 30 years;
 - 0.6% below the standard member rate for 30-39 years; and
 - 0.4% above the standard member rate for 40 years and over.

The standard member rate is set by the employer when determining the split of the contribution rate between employer and member.

Example: Total future service rate = 17.8%.

Employer agrees with their members that the split of the contribution rate will be:

Employer	=	10.0%
Member standard rate	=	7.8%
Total	=	17.8%

Age banded member contributions would be:

Under 30 years = 7.8 - 1.6 = 6.2%

Age 30–39 years = 7.8 - 0.6 = 7.2%

Age 40 years and over = 7.8 + 0.4 = 8.2%

4. An employer can continue to operate the age banded contribution rates for members in the established benefit structures and operate a single contribution rate for new members in the open benefit structure (or vice versa).

Please note: Legal advice received suggests that age banded contribution structures within SHPS can be successfully defended under the latest age discrimination legislation. At present there is no case law. In the longer-term employers may be legally required to operate on a single contribution rate basis.

5. Employers wishing to adjust member contribution rates are able to do so from the first day of any month provided two months' written notice is given to The Pensions Trust. The employer's notice must include the following information:

- the current contribution rates;
- the date of the change;
- the members affected;
- the new contribution rates; and
- any adjustments required.

Prior consultation with staff will be required if member contributions are being increased and there are 50 or more full-time equivalent **employees** (not members).

6. Employers will be expected to meet the balance of the cost with the employer contribution rate reducing as the member contribution rate increases. This will enable employers to phase in any upward adjustment in member contribution rates.
7. Surcharges may be payable in certain circumstances as described on page 8. If a surcharge is not applied initially in any of the cases shown in the table, the Pensions Committee reserves the right to apply one at a later date.
8. Historically members of the Defined Benefit structures were allowed to elect to pay a reduced contribution rate and provide a lesser spouse's pension on death. The reduction in contribution rate for each benefit structure is shown in the table below:

Benefit structure	Reduction in member contribution rate
I/60th Final Salary	1%
I/70th Final Salary	0.6%
I/80th Final Salary	0.3%
I/60th CARE	0.6%
I/80th CARE	0.3%

Since April 1997 new members have not been allowed to pay the reduced contribution rate. Members of the Defined Benefit structures paying the full contribution rate who do not wish to provide for a full survivor's pension have the option, when their pension starts, to give up part of the survivor's pension and receive enhanced personal benefits. A statutory minimum pension must be paid to a legal spouse or civil partner upon death and this part cannot be given up. Details are provided to every eligible member on retirement.

9. The past service deficit contribution is payable in addition to the contribution rate for each benefit structure within the Scheme. Where an employer elects for the Defined Contribution benefit structure for ongoing benefit provision, the past service deficit contribution will be payable only in respect of any members accruing Defined Benefit pensions as at the date of the last Actuarial Valuation and is payable to the Defined Benefit section (and not the Defined Contribution section).
10. There are special time limited arrangements in place for employers who join the Scheme after the past service deficit contributions have been initiated; for further information please refer to 'Past service deficit' in the 'Glossary of Terms'. Those employers affected will be advised when their contributions will increase to include the past service deficit cost.
11. The same contribution basis must apply to all members of the same membership group within the same Final Salary, CARE or Defined Contribution benefit structures, except where an age-related contribution structure has been selected or an employer matching contribution structure has been selected for Defined Contribution membership. Employers are permitted to set different contribution rates for each membership group even if the same benefit structure is offered to more than one group. The membership groups are:
 - members pre-1 April 2007 (current members);
 - members who joined between 1 April 2007 and 31 March 2010 (new members); and
 - members who join after 1 April 2010 (future members).
12. Members can pay Additional Voluntary Contributions (AVCs) to increase their benefits at retirement. AVCs can be paid to the Defined Contribution benefit structure of SHPS. Members will be required to make an investment choice in respect of their AVCs. Employers who use one of the products offered by The Pensions Trust as an AVC vehicle for their members as at 30 September 2010, can continue to do so. The Defined Contribution set up charge will not apply to employers offering Defined Contribution for AVCs only. The per member fees will be payable by the employer but no minimum fee will apply.

(Members can elect to pay AVCs to a provider outside The Pensions Trust. In these cases the member will liaise directly with the provider regarding the payment of contributions and benefits provided.)

5. Member Movements

Policy

When a member moves from one participating employer to another (an internal transfer) they will be allowed to join whichever open benefit structure the new employer offers. However the treatment of benefits earned to the date of transfer will depend on the application of the following Rules.

Please note: In all cases where the break between leaving the Scheme with the former employer and re-joining with the new employer exceeds 30 days, the earlier period of membership will be treated as deferred.

Where the break between leaving the Scheme with the former employer and re-joining with the new employer is less than 30 days, continuous membership may be permitted.

Some employers choose to operate a 'waiting period' before allowing new employees to join the Scheme. Where any such waiting period results in a break in membership of more than 30 days, continuous membership will not be permitted.

Rules

1. Members moving from one employer to another, both of whom participate in SHPS, will be able to have their membership of the Final Salary or CARE benefit structures treated as continuous as long as the new employer operates an open benefit structure and the member commences employment with the new employer and joins the open benefit structure of the Scheme operated by the new employer, within 30 days of leaving their previous employment. An employer who has closed the Scheme to new entrants will not be able to admit these new employees into the Scheme.
2. The member will join whichever open benefit structure the new employer offers except in the circumstances set out in Rule 3.
3. If the new employer operates different Final Salary or CARE benefit structures for existing members and new entrants, the employer will be able to admit the transferring member into that live Final Salary or CARE benefit structure provided:
 - the member was already in the appropriate Final Salary or CARE benefit structure at the date of transfer; and
 - the employer admits **all** such transferring members to the appropriate Final Salary or CARE benefit structures if offered by that employer at the date of transfer and has a policy to this effect.

Please note: Whilst the procedures in Rule 3 above are acceptable for the Scheme, it is possible that such action could lead to employment discrimination issues. It is therefore strongly recommended that legal advice be sought in such circumstances. When a member moves from one participating employer to another which is a closed employer, that member will not be allowed to continue in the Scheme. If the new employer wishes to admit the member they must re-open (and promote) the Scheme to all employees.

6. Defined Contribution Schemes outside of SHPS

Policy

The Committee will introduce a Defined Contribution benefit structure with effect from 1 October 2010. Prior to the 2010 Benefit Review the Committee did not have authority to introduce a Defined Contribution benefit structure. As a result some employers operate Defined Contribution benefit structures outside of SHPS. The following rules apply in respect of these arrangements.

Rules

1. Employers are not permitted to offer membership of an external Defined Contribution scheme as an alternative where SHPS Defined Benefit structures are operated on an open basis (subject to Rules 2 and 3 following).
2. Established Defined Contribution arrangements in operation at 31 December 2006 can be continued but if new entrants are allowed to join the Defined Contribution arrangement from 1 April 2007 a surcharge will apply.
3. Any employer offering a Defined Contribution alternative to SHPS (other than under Rule 2 above), or admitting new entrants to an established Defined Contribution arrangement under Rule 2 above from 1 April 2007, will be subject to the application of the closed scheme surcharge. The surcharge is currently 3% of pensionable earnings of current active members of the Defined Benefit structure(s). A reduced surcharge of 1.5% will apply in some circumstances, see page 8.
4. Employers are permitted to operate the SHPS Defined Contribution benefit structure alongside the open SHPS Defined Benefit structure. Defined Contribution benefits accrued in an external Defined Contribution arrangement can be transferred into the SHPS Defined Contribution benefit structure as long as no 'contracted-out' benefits are included. If an employer wishes to investigate this further they should contact their Account Manager at The Pensions Trust.

7. Closed Scheme and Withdrawal from SHPS

Policy

An employer who closes the Scheme to new entrants will be classified as operating a closed scheme policy.

An employer who closes the Scheme to new entrants AND to future accrual for existing active members will be deemed to have withdrawn from the Scheme.

An employer who no longer has active members in the Scheme, and who is not offering it to new entrants, will be deemed to have withdrawn from the Scheme from the date the last active member leaves.

Rules

1. An employer who offers at least one of the available benefit structures to new entrants will be deemed not to have a closed scheme. This includes the new Defined Contribution benefit structure from 1 October 2010.
2. If an employer closes either the Final Salary or CARE benefit structures to new entrants but existing active members continue to accrue Final Salary or CARE benefits, a surcharge will be imposed. The surcharge from 1 April 2010 is 3.0% of pensionable earnings of current active members, subject to note 3 below.
3. If an employer closes either the Final Salary or CARE benefit structures to new entrants but offers new entrants the SHPS Defined Contribution benefit structure, a reduced rate surcharge will be applied in respect of the active Final Salary or CARE members who continue to accrue Final Salary or CARE benefits. The reduced rate surcharge from 1 April 2010 is 1.5% of pensionable earnings of active members in the CARE or Final Salary benefit structures.

The surcharge is reviewed from time to time by the Scheme Actuary.

4. An employer who closes the Scheme to new entrants **and** to accrual of future benefits for all members will be deemed to have withdrawn from the Scheme. Legislation determines that this action triggers what is termed an Employer Section 75 Debt. In this situation the employer will be required to meet the cost of securing the pensions of their current deferred and pensioner members. The cost will be determined on the basis of the Scheme Actuary's estimate of the cost of securing the benefits by the purchase of annuity contracts from an insurance company (the buy-out basis). The Scheme is in deficit on the buy-out basis and the employer will be required to meet the shortfall. The cost is likely to be substantial.
5. Despite offering the Scheme to new entrants, an employer may cease to have active members in SHPS due to natural staff turnover. In this situation the employer will be treated as having withdrawn on the date that it ceased to employ any active members. Regulations do provide for a 'period of grace' which allows an employer to continue in the Scheme provided the employer notifies the Trustee of the intention to enrol a member within the following twelve months. If after twelve months the employer still has no active members, then it will be deemed to have withdrawn from the Scheme.

To take advantage of the 'period of grace' provisions, the employer must give notice to The Pensions Trust within one month of its last active member leaving the Scheme. Giving notice to The Pensions Trust can be done by completing the Standard Notice Form that is available on The Pensions Trust's website www.thepensionstrust.org.uk. If notice is not received within one month of the last active member leaving, the employer will not be able to take advantage of the 'period of grace' provisions and will be immediately liable for a withdrawal debt.

Please note: Employers are strongly recommended to contact their Account Manager at The Pensions Trust prior to taking any action which may trigger a withdrawal from the Scheme or when its membership reduces to below five members. Care also needs to be taken with regard to mergers and group reorganisations which could potentially lead to an employer being deemed to have withdrawn from the Scheme.

8. Other

TUPE transfers

1. TUPE transfers raise a number of issues which tend to be specific to each set of circumstances. It is strongly recommended that advice and information be obtained from the employer's Account Manager at The Pensions Trust at an early stage.
2. A closed employer may also admit employees under a TUPE transfer provided it currently has active members contributing to the SHPS benefit structure which is to be offered to the TUPE transfer members.

Transfers of benefits into the Scheme

1. It is possible for members to transfer benefits earned with previous employers (not participating in SHPS) into the Defined Contribution benefit structure of the Scheme. From 1 April 2010 no transfers will be accepted into any of the Defined Benefit structures (Final Salary or CARE).
2. Transfers into the Defined Contribution benefit structure must not include any 'contracted-out liability'. The transfer payment will be invested in line with the member's existing investment instructions, unless the member instructs otherwise, where the member is already in the Defined Contribution benefit structure. Transfers can be accepted into the Defined Contribution benefit structure for members of the Defined Benefit structure. Employers will not be liable for the Defined Contribution set up or member charge where Defined Contribution is used for transfers in only.

Mergers and group reorganisations

1. Mergers and group reorganisations raise many issues which tend to be specific to each business transaction. Transfers of engagements trigger an event leading to an Employer Section 75 Debt liability. Group reorganisation can also lead to an Employer Section 75 Debt liability if an organisation which is a SHPS employer ceases to exist.
2. It is strongly recommended that employers seek clarification of the position and options available from their Account Manager at The Pensions Trust at an early stage in the process.

Aggregation

Active Defined Benefit members as at 31 March 2007, who also have a deferred record at this date, are entitled to the aggregation of their records at retirement. This facility is not available if the member's deferred record was created on or after 1 April 2007.

9. Defined Contribution Benefit Structure

From 1 October 2010 SHPS will offer a new Defined Contribution benefit structure in addition to the range of Defined Benefit (Final Salary or CARE) benefit structures in force.

As a condition of adopting the Defined Contribution benefit structure employers must agree to use The Pensions Trust's web-based eBusiness solution for the submission of all monthly data and contributions from the outset. If an employer does not agree to use the eBusiness solution it will not be able to offer the Defined Contribution benefit structure.

General

The Defined Contribution benefit structure will be a separate 'employer sponsored' benefit structure within SHPS and will not be contracted-out of the State Second Pension Scheme (S2P). Both employers and members will therefore pay full rate National Insurance contributions and the member will build up benefits in S2P.

Joining the Defined Contribution benefit structure

The Defined Contribution benefit structure will be available to all current active and future SHPS employers and can be offered as an open benefit structure alongside an open Defined Benefit structure. An employer will be required to agree to the Terms and Conditions of use of The Pensions Trust's web-based eBusiness solution for the submission of all its monthly data and contributions. This will also include data and contributions in respect of Defined Benefit members, if any.

A new employee or existing Defined Benefit member wishing to join the Defined Contribution benefit structure will be required to make their investment choices and complete the relevant application form in order to join and to authorise the employer to deduct contributions.

Switching to the Defined Contribution benefit structure for future benefits

An existing employer can introduce the Defined Contribution benefit structure from 1 October 2010 or from any subsequent first of the month provided three months' written notice is given to The Pensions Trust.

Impact on Defined Benefit members

Member chooses to switch: An existing member of one of the Defined Benefit structures may choose to switch to the Defined Contribution benefit structure if offered by their employer. The member's benefits under the Defined Benefit structure would become deferred. However, the link to final pensionable earnings would be retained until retirement, or earlier termination of membership, where previous benefits were held in one of the Final Salary benefit structures.

Employer imposes switch: In the case of a Final Salary member whose employer ceases to offer accrual in a Final Salary benefit structure and replaces it with Defined Contribution for future service, the member's earlier period of Final Salary membership will retain the link to final pensionable earnings at retirement or earlier termination of membership.

Details relating to the Defined Contribution benefit structure can be found in the Employer Administration Guide – Defined Contribution and the A Guide for Members – Defined Contribution.

Contributions

Employer charges: A cost of £36 a year per active and deferred member will be applied to each employer who operates the Defined Contribution benefit structure subject to a minimum annual cost of £480. This will be collected at £3 per member per month via the monthly contribution and data submission.

A one off set up fee of £1,000 will be applied to each employer that wishes to enrol members into the Defined Contribution benefit structure. This will be collected via the monthly contribution and data submission when the first monthly contributions are paid to the Defined Contribution benefit structure.

A charge of 0.2% of a member's earnings is payable to cover the cost of providing the lump sum death-in-service benefit. This will be deducted from the monthly employer contribution paid in respect of a Defined Contribution member.

Member charges: An annual management charge of 0.5% of the member's fund value applies. The charge covers the cost of investment and administration services. The charge will be deducted on a monthly basis.

Plan administration: The Defined Contribution benefit structure will be administered by The Pensions Trust.

Each year Defined Contribution members will receive a Benefit Statement showing the current value of their fund and a projected pension estimate.

10. Glossary of Terms

Active members: Current employees who are members participating in the Scheme and for whom contributions are being paid into the Scheme.

Additional Voluntary Contributions (AVCs): Additional contributions made by members, over and above their main scheme contributions, to secure additional benefits at retirement. These are often held outside of the main scheme and are usually secured on a Defined Contribution basis.

Assets: These are the investments held by the Scheme used to fund the liabilities. These include equities, bonds, property and cash.

Defined Benefit (DB): Also referred to as Final Salary or Career Averaged Revalued Earnings (CARE). A benefit calculated with reference to a predetermined formula, e.g. 1/60th of Final Salary or CARE for each year of membership.

Defined Contribution (DC): Also referred to as Money Purchase. Benefits are based on the amount of money available at retirement to use to purchase an annuity policy from an annuity provider (usually an insurance company). The amount of benefit that can be purchased will depend on the amount available, annuity rates available at the time of retirement and the type of annuity selected. Benefits cannot be calculated in advance with any level of accuracy.

Liabilities: These are the value of the pensions already earned by members of the Scheme at a given date. These include pensions in payment, deferred pensions in respect of members who have ceased to be active members and benefits accrued by active members up to the given date.

Live benefit structure: These are the benefit structures operated by employers before April 2010 for employees who joined the Scheme prior to that date and continue to accrue benefits in these structures. These are not open to new employees joining the Scheme after April 2010. There may be several live structures for one employer relating to pre and post-2007 joiners.

New entrants: Employees who are prospective new members of the Scheme.

Open benefit structures: The benefit structures operated by an employer which are open to new entrants. One Defined Benefit and the Defined Contribution benefit structure can be operated on an open basis. These are also open to existing members who may choose to transfer into them from alternative live benefit structures.

Participating employer: An employer who has employees who are members of SHPS. The employer must have active members to be a participating employer; otherwise the employer will be deemed to have withdrawn from the Scheme.

Past service deficit: The deficit which exists at the date of valuation, being the shortfall between the market value of the assets at that date and the assessed value of the liabilities accrued up to that date.

Past service deficit contribution: These are the additional contributions payable to eliminate the deficit over a period of time as agreed with The Pensions Regulator and the Scheme Actuary. A separate past service deficit contribution is payable to fund the shortfall identified at the 30 September 2008 valuation.

New employers joining SHPS between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining.

New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining.

In practice contributions agreed as part of the valuation process become payable from the 1 April eighteen months after the effective date of the valuation. For example, changes as a result of the 30 September 2008 valuation are effective from 1 April 2010.

Pensionable earnings: Is normal gross pay including London Weighting (where applicable), shift pay, contractual bonuses, overtime, allowances and such other emoluments as agreed with the Committee, but excluding non-contractual overtime.

The Scheme: The Social Housing Pension Scheme (SHPS).

11. The SHPS Team

Customer Relations Team

For queries regarding the content of this Guide, mergers and group reorganisations, contact your SHPS Account Manager at The Pensions Trust:

Mr Paul Coward - Account Manager for employers names starting with A-D
paul.coward@thepensiontrust.org.uk

Mr Paul Milton - Account Manager for employers names starting with E-N
paul.milton@thepensiontrust.org.uk

Mr Stuart Walters - Account Manager for employers names starting with O-Z
stuart.walters@thepensiontrust.org.uk

Customer Relations Team telephone:
0113 394 2576

Operational Team

For queries regarding enrolments (new joiners), salary updates, contribution processing and annual Benefit Statements contact:

Telephone: 0113 394 2894
Email: contributions@thepensiontrust.org.uk

Pensions Administration Teams

For any other queries contact:

Member Process Team

Dedicated helpdesk telephone:
0845 608 5252 (local rate)
Email: enquiries@thepensiontrust.org.uk

Mr Matthew Doggett - Pensions Administration (Hybrid) Manager
matthew.doggett@thepensiontrust.org.uk



Administered by
The Pensions Trust

Verity House, 6 Canal Wharf, Leeds LS11 5BQ
tel: 0845 608 5252 fax: 0113 234 5598

email: enquiries@thepensionstrust.org.uk
or visit www.thepensionstrust.org.uk
www.shps.org.uk