

Social Housing Pension Scheme



ANNUAL REVIEW

Year to 30 September 2004

Chair's Statement

Welcome to the Annual Review of the Social Housing Pension Scheme (SHPS) for the year to 30 September 2004.

Over the past year SHPS, your Scheme, has continued to grow and develop. SHPS remains the leading pension scheme in the UK for those working in the voluntary housing sector. A proactive approach is being taken by your Pensions Committee to address the varied and challenging issues which today impact on all pension providers.

Key features of the year, reported more fully in the main body of this Review, include:

- a 6% growth in membership, bringing total membership to 44,435
- sound investment performance providing an annual return of 11.3%
- a positive interim Scheme financial update
- growth of 20% in Scheme assets to £978 million
- a full independent Value for Money exercise.

Good quality administration of the Scheme is of paramount importance to members. During the year the SHPS team managed over 36,000 items of work. Established service standards were fully met; and improved service targets, introduced in course of the year, were being achieved by the year end.

A comprehensive Value for Money report, affording the Committee an independent view on the value of the Scheme's operating costs, was also undertaken.

During the year pensions continued to make headline news. People are living longer – those retiring today are expected to live well into their 80's. The rising costs of providing pensions must be met from the return on our investments. However overall investment performance, in spite of the modest albeit welcome recent upturn, remains generally disappointing. Prospects for any significant early improvement are limited.

Given this challenging operating environment your Committee has a clear responsibility to monitor carefully the benefit and financial arrangements of SHPS. The next full valuation of the Scheme will be as at 30 September 2005 (full report due by the Spring 2006). Within this context a major review of the Scheme's benefit structure and the related funding requirements is being undertaken during 2005. This review will serve to establish, against the background of the forthcoming valuation and other key factors, our main options for the future. The key objective is to maintain SHPS as a strong, fair and reliable provider of pensions to its members.

Finally, on your behalf, may I express sincere thanks to the SHPS team for their sustained valued input to the Scheme's efficient administration; and also to the SHPS Pensions Committee for their time ably and willingly given. We look forward to working with you in the continuing development of the Social Housing Pension Scheme.



Alister Green
Chair, SHPS Pensions Committee

Other Issues

Financial Update

Formal valuations of defined benefit occupational pensions schemes are undertaken every three years. The last valuation of SHPS was undertaken as at 30 September 2002.

The Scheme Actuary was asked to complete a financial update as at 31 March 2004, i.e. the mid point between the valuation at 30 September 2002 and the valuation due in September 2005.

The purpose of this exercise was to ensure that the Scheme's funding position remains 'on track'.

The calculations confirmed that since the last valuation the financial position had marginally improved, although there is some uncertainty as to whether the impact of people living longer has been taken fully into account. However, the Committee was able to write to members confirming that contributions and benefits could be maintained at current levels. The situation will be reviewed in the context of the formal valuation results as at 30 September 2005.

Pensions Act 2004

This new legislation affecting pension schemes will be effective mainly from April 2005. It is a major piece of legislation that will have a material impact on the future of pension benefit provision. Much of this legislation is to be covered by regulations that have yet to be published.

Finance Act 2004

The provisions of this legislation affecting pension schemes will become effective as from April 2006.

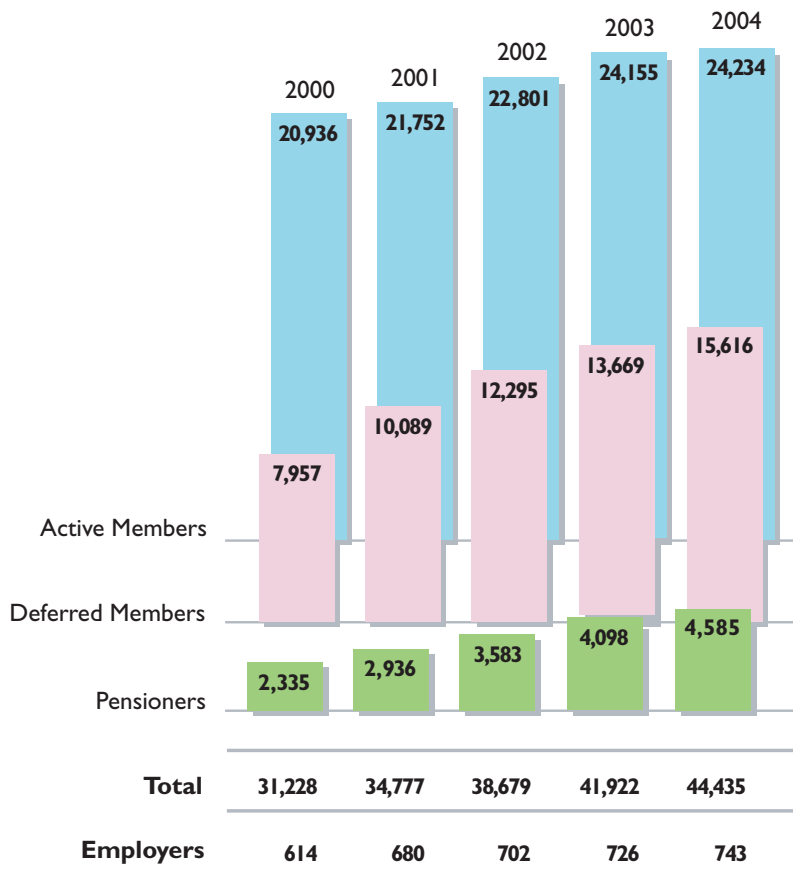
In essence there will in future be only one tax regime affecting the tax treatment of contributions and benefits under pension schemes. Currently there are eight such regimes. This legislation should remove many complexities and is generally welcomed by the pensions industry.

The Pensions Trust, as Scheme Administrator, will ensure that Scheme members are kept abreast of developments as the situation becomes clearer.

Benefits of the Scheme

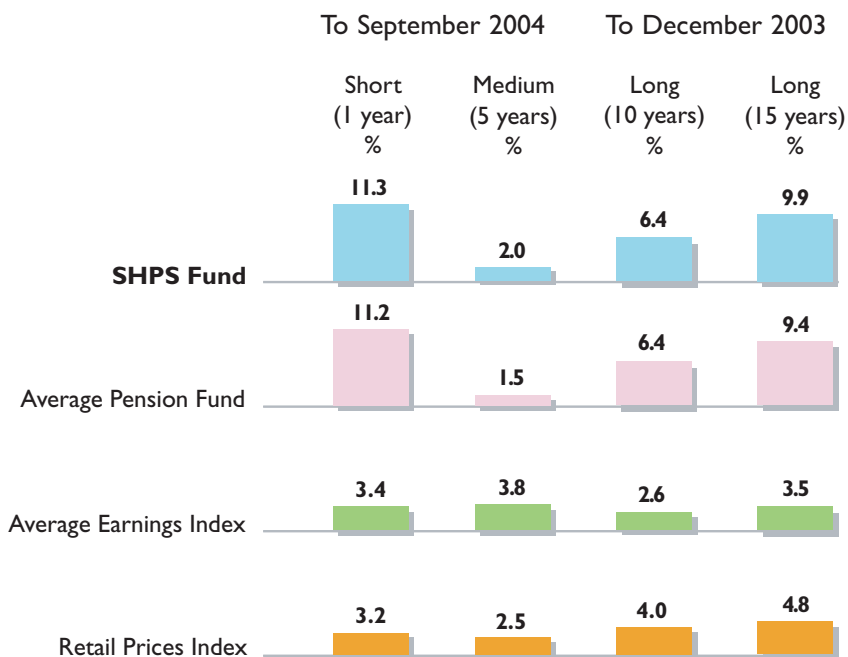
As a contributing member of the Social Housing Pension Scheme you will benefit from the following:

- a pension, payable from retirement for the rest of your life, related to your salary at retirement
- partner's and/or children's pensions if you die before or after retirement
- life assurance (of three times your pensionable earnings) if you die whilst contributing to the Scheme (not applicable once contributions cease)
- an immediate pension if you retire due to ill health (in defined circumstances)
- retirement age of 65, with the option to take early retirement
- the option to exchange some pension for a tax-free lump sum – you may choose the amount (within limits) that best suits your needs
- annual pension increases in retirement in line with inflation up to 5%
- a lump sum payment to your nominee(s) if you die after leaving the Scheme but before you start to receive your pension, or if you die within five years of retiring.



Membership of the Scheme

Total membership of the Scheme continues to grow and has increased by 6% to 44,435 members.



Investment Results

The table shows the investment performance of the Social Housing Pension Scheme over the 12 months to 30 September 2004 and the longer term.

The one-year performance is above benchmark.

Performance over the medium and long-term continues to compare favourably with the average pension fund.

The Committee will continue to monitor the investment performance of the Scheme.

Fund Statement For the year ended 30 September 2004

The Social Housing Pension Scheme is an integral part of The Pensions Trust. This statement summarises the transactions of the Scheme and its proportionate share of expenses, investment return and investments. The figures shown in the statement have been extracted from the audited accounts of The Pensions Trust which were approved by the Trustee on 16 December 2004. *This summary report is not intended to be a financial statement within the terms defined by SORP (Statement of Recommended Practice for Pension Schemes).*

	2004	2003
	£000	£000
Contributions paid by members and employers	85,455	73,574
Transfers-in	15,401	16,294
Total money in	100,856	89,868
Benefits paid (pensions and lump sums)	(18,897)	(17,158)
Payments to leavers	(6,238)	(6,804)
Administrative costs	(3,337)	(3,090)
Total money out	(28,472)	(27,052)
Net additions from dealing with members	72,384	62,816
Return on investments		
Investment income (after management expenses)	12,461	10,048
Change in market value of investments	81,434	89,162
Net returns on investments	93,895	99,210
Net increase in the Fund during the year	166,279	162,026
Net assets of the Scheme		
At the beginning of the Scheme year	811,545	649,519
At the end of the Scheme year	977,824	811,545

Looking after your Scheme

The SHPS Pensions Committee (as at 30 September 2004)

Alister Green

Bield Housing Association

Colin Small

Group Finance Director,
Festival Housing Group

Douglas Cuthbertson

Finance Director,
Enterprise 5 HA Ltd

Hugh Jones

(Nominated by the WFHA)

Ian Wheeler

Care Manager,
Granta Housing Society

Joy Uings

Finance Manager,
People First Housing Association

Nick Horne

Managing Director,
Knightstone Housing Association

Richard Sheppard

Pensioner

Stephen Duckworth

(Nominated by the NHF)

Tiyani Behanzin

Independent Housing Management and
Development Consultant

Professional Advisers & Bankers

Actuarial Consultants

HSBC Actuaries and Consultants Ltd

Scheme Actuary

Steven Robinson of HSBC Actuaries
and Consultants Ltd

Auditors

KPMG LLP

Solicitors

Mayer, Brown, Rowe & Maw LLP

McGrigor Donald

Bankers

The Royal Bank of Scotland plc

Investment Managers

Legal & General Investment
Management Ltd

Fidelity Pensions Management Ltd

Barclays Global Investors Ltd

Capital International Ltd

Henderson Global Investors Ltd
(to February 2004)

Morley Fund Management Ltd
(from February 2004)

Standard Life Pensions Funds Ltd
(from August 2004)

Property Investment Managers

CB Richard Ellis Investors Ltd

Investment Consultants

Watson Wyatt Investment

Mercer Human Resource Consulting Ltd

Custodians

The Northern Trust Company
(inc Illinois)

Mayer, Brown, Rowe & Maw LLP
(for property deeds)

**Measurement of Investment
Performance**

The Northern Trust Company
(inc Illinois)

Custody Consultants

Chatham Partners

Pension Consultants

SBJ Benefit Consultants Ltd

Trustee

Verity Trustees Ltd



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The Pensions Trust

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