

# Important Information for Members

## Introduction

Following consultation with employers earlier this year, the SFHA Pensions Committee is introducing two new benefit options with effect from 1 April 2011. This document is intended to provide active members with a consistent message about these changes.

## Key Points

- The provisional results of the actuarial valuation as at 30 September 2009 show that the cost of providing SFHA Pension Scheme (the Scheme) benefits has increased.
- The Pensions Committee consulted with employers during Summer 2010 about changes to the Scheme's benefit options and related funding requirements.
- Following this consultation, the Pensions Committee will be introducing two new benefit options.
- If your employer proposes any changes to your benefit options and/or your contribution rates, you will receive further information from your employer and you may be consulted about the proposals.
- Any changes introduced by your employer will take effect from 1 April 2011. Please note pension benefits earned up to that date are not affected.

## What is the funding position of the Scheme?

The valuation as at 30 September 2009 revealed that costs are continuing to increase. The provisional results of the valuation identify a deficit of £160.1 million as at 30 September 2009. This means that the Scheme has assets covering 64.8% of its liabilities.

The Scheme, like most defined benefit schemes, has been affected by the financial crisis and fall in investment markets. The Pensions Committee has also had to take into consideration research showing that people are living longer.

The Scheme has sufficient money to pay members' benefits as they arise. However, we must make sure that there are adequate funds to meet the benefit liabilities in the future.

## What is the objective of the Scheme review?

The Pensions Committee's objective in undertaking this review is to make sure that as many employers as possible, hopefully all, will be able to remain with the Scheme and continue to offer their employees a worthwhile level of pension. In order to achieve this objective it is necessary to extend the choice of benefits within the Scheme.



## What are the current benefit options?

Employers can currently offer one option to staff from a selection of three benefit options:

- 'Final Salary 60th' – benefits are based on 1/60th of the member's final pensionable earnings for each year of their Scheme membership.
- 'CARE 60th' (Career Average Revalued Earnings) – members receive a benefit of 1/60th of their earnings in each year of their Scheme membership.
- 'CARE 70th' (Career Average Revalued Earnings) – members receive a benefit of 1/70th of their earnings in each year of their Scheme membership.

## What new benefit options are being added?

Following consultation with employers, two further benefit options will be available in the Scheme with effect from 1 April 2011. These are:

- 'CARE 80th' (Career Average Revalued Earnings) – members receive a benefit of 1/80th of their earnings in each year of their Scheme membership.
- 'CARE 120th' (Career Average Revalued Earnings) – members receive a benefit of 1/120th of their earnings in each year of their Scheme membership.

Unlike the other benefit options, the CARE 120th option will not be contracted-out of the State Second Pension. This will mean that members and employers will pay higher National Insurance Contributions. Members will receive some State Second Pension in addition to the benefits they receive from the Scheme.

## Will these changes affect my benefits?

The pension you have built up in respect of your Scheme membership up to the date of change will not be affected.

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 option for new Scheme members but retain the existing benefit option for current Scheme members; it may decide to change the benefit option offered to all employees; it may make no changes at all; or it could adopt a default benefit option (see below) and offer an alternative option, giving members a choice.

Examples of the pension benefits each of the options will provide are available in the Key Features and Benefit Comparison Tables on the Scheme's website at [www.sfhaps.org.uk](http://www.sfhaps.org.uk). A link to the consultation documents is available on the homepage.

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

Your employer, following consultation with its employers, will decide on a default benefit option available to employees. Some employers may choose to offer more than one benefit option. If this is the case and you select an alternative to your employer's default option, you may have to pay more than the standard member contribution rate to the Scheme.

## Will I have to pay more?

The member contribution rates for each benefit option, payable with effect from 1 April 2011, are detailed below:

Final Salary 60ths	9.6%
CARE 60ths	8.5%
CARE 70ths	7.5%
CARE 80ths	6.6%
CARE 120ths	4.7%

Your employer will pay very similar rates, plus an extra amount of over 10% of your pensionable earnings to pay off the deficit in the Scheme.

## What will I pay if my employer gives me a choice of benefit options?

If your employer offers more than one benefit option to employees and you elect to contribute to an alternative to your employer's default benefit option, then you will be required to pay the difference in your employer's share of the contribution rate.

### For example:

An employer offers CARE 80ths as its default benefit option and allows new members the discretion to participate in the Final Salary 60ths option. The employer will contribute 6.6% (being their contribution to the CARE 80ths). If the member chooses the Final Salary 60ths option, he or she will contribute 9.6% (the standard member's contribution for Final Salary 60ths) **plus** an additional 3% (the difference between the employer's contribution rate for Final Salary 60ths, 9.6%, and their CARE 80ths contribution of 6.6%).

## Why should I pay more?

On average, people are living longer and therefore any benefits paid from the Scheme will be 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 the SFHA Pension Scheme still provides good value for money, especially after tax allowances are taken into account.

## What is the timescale for change?

The increased contribution rates will apply and new benefit options will be available from 1 April 2011.

## What about death and sickness benefits?

These benefits are highly valued by members and the Pensions Committee plans to continue to provide these benefits.

## Will pensioners and members with deferred pensions be affected?

No, any changes will only affect benefits built up in respect of service from 1 April 2011.

## How will the final decision on choice be made?

Your employer will make the final decision on any changes to your benefit options and 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 the contribution rates payable by employees. We are recommending that all 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 options. This decision must be notified to the Pensions Committee by 28 February 2011 for changes to be introduced in April 2011.

## Further assistance

Please have a look at the consultation documents on the Scheme's website at [www.sfhaps.org.uk](http://www.sfhaps.org.uk), there's a link on the homepage.

If you need more information about your pension from April 2011, and your employer can't help, please contact The Pensions Trust by email at [sfha@thepensiontrust.org.uk](mailto:sfha@thepensiontrust.org.uk), using the heading 'SFHA Pension Scheme Review', by telephone on 0113 394 2552 or in writing to Final Salary Team 1, The Pensions Trust, Verity House, 6 Canal Wharf, Leeds LS11 5BQ.

