

## Background

The Social Housing Pension Scheme (SHPS) is the scheme of choice for the social housing sector with more than 500 housing organisations in it, providing pensions for more than 65,000 employees.

Legislation requires an actuarial valuation to be carried out at least every three years on defined benefit (DB) schemes like SHPS. The purpose of a valuation is to compare the value of the liabilities with the value of the assets to highlight any mismatch and resulting deficit or surplus.

The key headline results of the valuation as at 30 September 2017 are:

- The funding level has improved to 75% (from 70% at 30 September 2014);
- The past service deficit has increased to £1,522m (from £1,323m at 30 September 2014);
- Increased deficit contributions will be payable from 1 April 2019, and will increase at 2% per annum. At the moment deficit contributions are payable based on a combination of pensionable salaries as at September 2008 (Tiers 1 and 2) and a share of liabilities as at September 2011 (Tier 3) and September 2014 (Tier 4). At the recommendation of the Employer Committee (EC), and following its consultation with employers on their preferred approach, the deficit contributions will now be allocated to each employer based on their own 'full' share of the liabilities as at 30 September 2017 and the previous tiers will fall away from 31 March 2019;
- Increased future service contribution rates will be payable. Given the level of increases, and following a request from the EC, the revised rates will be introduced from 1 July 2019 rather than 1 April 2019 as originally envisaged; and
- Revised expenses, based on membership as at 30 September 2017, will be payable from 1 April 2019 and will be fixed for a period of three years.

## How does this affect me?

The increased future service contribution rates will take effect from 1 July 2019, rather than 1 April 2019.

If you are an active DB member then you will more than likely be consulted by your employer regards to changes to your employee contribution rate. Each employer determines how these contributions are split between the employer and the members differently.

If your employer still provides employees with future pension benefits on a DB basis, then in order to make any changes to the current member contribution rates and/or benefits structures from 1 July 2019 an "Employer Form of Authority" must be received by TPT Retirement Solutions (TPT) by 30 April 2019, otherwise the default position will apply. Under the default position, the existing benefit option(s) will continue and the increase in future service contributions will be met by the employer in full, with the members' contributions being held at the current rate. Any future changes to the contribution rates and/or benefit structures will only be possible in accordance with TPT's agreed timescales for making future changes.

Benefit	60ths final salary	70ths final salary	80ths final salary	60ths CARE	80ths CARE	120ths CARE
Existing rate	20.6%	17.7%	15.5%	16.7%	12.6%	8.6%
<b>Rate from July 2019</b>	<b>27.2%</b>	<b>23.4%</b>	<b>20.5%</b>	<b>22.1%</b>	<b>16.7%</b>	<b>11.3%</b>

### **Why has this happened?**

The main reason why higher future service contribution rates are required is because of changes to the following assumptions:

<b>Assumption</b>	<b>30 September 2014 valuation % p.a.</b>	<b>30 September 2017 valuation % p.a.</b>
Price inflation	RPI- 3.1% CPI- 2.2%	RPI Curve* RPI Curve less 0.9%*
Discount rate -pre-retirement -post-retirement	5.9% 3.3%	Gilt Curve plus 2.4%** Gilt Curve plus 0.45%**
Pensionable earnings growth (annual)	4.2%	CPI+1%

\* The Retail Price Inflation (RPI) rate is now based on an inflation curve, rather than using a single inflation rate. On average, the RPI curve is equivalent to a rate of approx. 3.4% p.a. making CPI equivalent to approx. 2.5% p.a. and the assumed pensionable earnings growth approx. 3.5% p.a.

\*\* Discount rates are now based on the expected return on the assets expressed as an addition to the Gilt yield curve before and after retirement, rather than using a single Gilt yield approach. On average, the Gilt curve is equivalent to a rate of approx. 1.8% p.a. making the average pre-retirement discount rate approx. 4.2% p.a. and the average post-retirement discount rate approx. 2.25% p.a.

### **What is Unites position?**

Unite are aware of the higher future service contributions that maybe required for some Social Housing Associations and we would urge that Housing Associations consult with Unite and their respected Trade Unions at the first available opportunity.

The SHPS provides a valued benefit to our members and Unite will resist any changes that individual social housing organisations attempt to make to their pension schemes if it will result in a detriment to our members.

Pensions are deferred pay and members will not stand idly by if there are employer is intent on cutting their retirement income.

### **What should members say?**

- Support the retention of the SHPS and believe that the guaranteed defined benefit pension is a vital part of the recruitment and retention package for the social housing sector.
- Clearly if future service contribution increases are implemented in full then it would lead to significant hardship for many scheme members particularly the low paid.

**Please feedback the outcomes of meetings with your employer to your Unite Regional Officer, Unite Pensions Officer [John.Neal@unitetheunion.org](mailto:John.Neal@unitetheunion.org) and Unite National Officer for the Education Sector [Siobhan.Endean@unitetheunion.org](mailto:Siobhan.Endean@unitetheunion.org)**