

Annual Review

Year to 30 September 2009

shps

Welcome.....

..... to the SHPS Annual Review for the year ended 30 September 2009. Your Summary Funding Statement, which shows the Scheme's funding position as at 30 September 2008 and an update to 30 September 2009, is also included.

Scheme News - Valuation Results and new Benefit Structures

The SHPS Pensions Committee spent a lot of time over the last year considering the results of the Actuary's formal valuation as at 30 September 2008. Please see the Summary Funding Statement on pages 5 and 6 for more information about this. The valuation date coincided with falling stock markets and banking crises as the worldwide economic recession started to take hold.

As we expected, the Scheme's funding position has deteriorated and costs have increased. It's very important that employers aren't priced out of the Scheme, so after extensive consultation three new benefit structures have been added. These are 'Final Salary 1/80th' and 'CARE 1/80th' which will be available from 1 April 2010 and a new Defined Contribution benefit structure which will be introduced on 1 October this year. You may have been consulted about an increase to your pension contribution, or about changing to a different benefit structure. Full details about the new benefit structures are available on the SHPS website at www.shps.org.uk

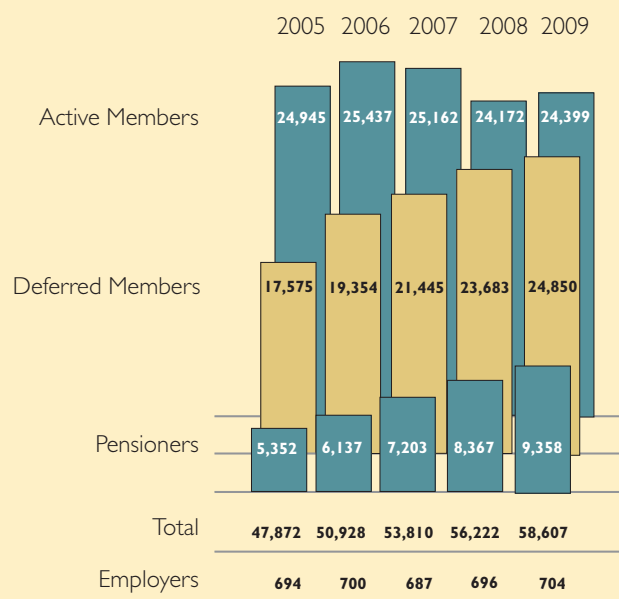


Scheme News - Membership

Despite the recession, SHPS membership has grown by 4.2% in the past year to over 58,600.

It's particularly pleasing to note that the number of active members increased in 2009 after falling in 2007 and 2008.

In such a difficult economic climate, SHPS growth is a great endorsement of the Scheme's benefit offering and the value for money it represents.



Fund Statement - For the year ended 30 September 2009

SHPS is a Scheme within The Pensions Trust. This Fund Statement summarises the transactions of the Scheme and its proportionate share of expenses, investment returns 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 19 January 2010. This summary report is not intended to be a financial statement within the terms defined by SORP (Statement of Recommended Practice for Pension Schemes).

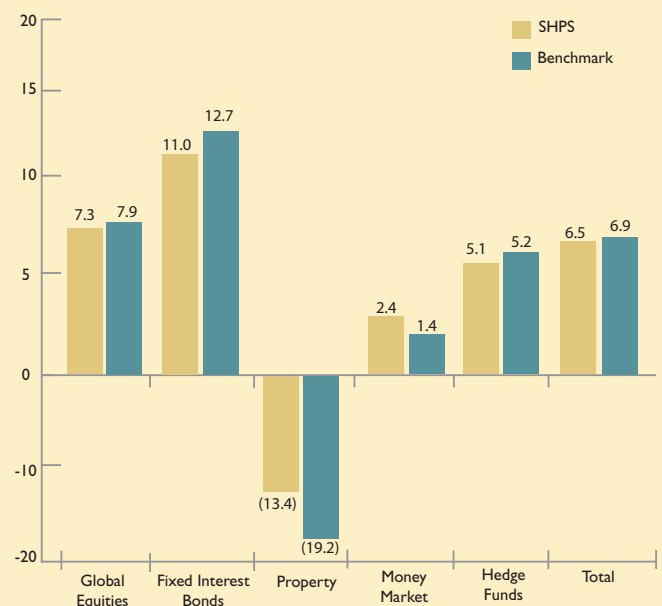
	2009 £'000	2008 £'000
Contributions paid by members and employers	143,640	142,133
Transfers in	12,445	7,942
Total money paid in	156,085	150,075
Benefits paid (pensions, lump sums and payment to leavers)	(55,119)	(49,429)
Administrative expenses	(4,018)	(3,900)
Specific expenses allocated	(422)	(349)
Pension Protection Fund	(528)	(610)
Total money out	(60,087)	(54,288)
Net new money available for investment	95,998	95,787
Return on investments		
Investment income and gains	105,377	(324,575)
Investment management expenses	(5,522)	(4,272)
Net returns on investments	99,855	(328,847)
Net (decrease)/increase in the fund during the year	195,853	(233,060)
Fund summary		
At the beginning of the Scheme year	1,527,423	1,760,483
At the end of the Scheme year	1,723,276	1,527,423

Scheme Performance - Investment Results

SHPS invests 67.5% in global equities, 17.5% in fixed interest bonds, 7.5% in a fund of hedge funds and 7.5% in property.

A positive return of 6.5% was achieved but this fell some way short of the benchmark of 6.9%. While we must remember that pension schemes are long-term investments, the Committee intends to be more proactive in monitoring and delivering good performance including direct linkage with valuation assumptions.

The Pensions Trust has reviewed its investment services. We expect to see greater involvement for the SHPS Pensions Committee and a more responsive service which can take advantage of investment opportunities as they arise. We shall report back to members next year.



Committee News - Election Results

Elections are held every two years and were scheduled for Summer 2009. However, as the number of candidates matched the number of vacancies, ballots were not needed. Douglas Cuthbertson and Richard Sheppard continue as Member and Pensioner nominees respectively. Two new members join the Committee from 1 October 2009, they are Robert Stenlake (Employer nominated) and Liz Hughes (Member nominated).

We say goodbye to Alister Green, who has served on the Committee since 1990, including ten years as Chair, and to Dennis Jones, who resigned in March 2009 due to work commitments.

Chair's Commentary

As I write my third commentary for the SHPS Annual Review I find myself reflecting on another demanding and very busy 12 months, and looking forward to a new set of challenges. There are few signs that life for pension schemes, and those who look after them, is going to quieten down any time soon.

Looking back, SHPS membership has continued to grow, and I'm pleased to see an increase in active members after two years of falling numbers. Investment returns were positive in 2009 after the losses incurred in 2008 due to the worldwide recession. But this isn't all good news, as the Scheme's investment performance disappointingly fell short of the benchmark.

As predicted, the valuation as at 30 September 2008 resulted in higher contribution rates, which many employers have sought to share with scheme members. The new benefit structures put forward for adoption from April or October this year also offer employers a means of managing their pension costs. Much of the last year has been taken up with communicating these new benefit structures, consulting with members and planning for implementation. On behalf of the Committee I would like to thank everyone involved – Janet Hennessey, our Scheme Adviser, officers of The Pensions Trust, employers, union representatives and scheme members – for their efforts on top of their 'business as usual' workload.

Looking forward, investment performance will be high on the Committee's agenda. Better investment returns reduce contributions and we are engaging with The Pensions Trust to ensure that their investment service delivers the right returns for SHPS employers and members.

The Committee will also be developing strategies to extend membership growth, deliver high quality scheme communications and maintain an attractive range of benefit structures. The quest to make – and keep – SHPS the pension solution of choice in the social housing sector continues. The Committee doesn't underestimate the challenge coming down the tracks in the shape of automatic enrolment and 'NEST', the new government-backed National Employment Savings Trust. Sometime between October 2012 and Summer 2016 every employer in the UK will have to provide pensions for all but the lowest paid employees. NEST is being set up to help employers comply with this new requirement. We hope employers will continue to support SHPS; the new Defined Contribution benefit structure opening later this year will provide an alternative to NEST and may be a better option for members.

In closing, on behalf of the Committee I would like to thank employers, members and advisers for their continued support for the Scheme over the last year which, as outlined above, has in many cases involved additional work.

Finally I want to place on record my appreciation to the Committee itself, who have given freely of their time and expertise to steer the Scheme through another very busy 12 months. A special thank you goes to Alister Green who retired at the end of the 2009 Scheme year. He joined the SHPS Pensions Committee in 1990 and served as Chair from 1999 until 2007. After almost 20 years of unstinting commitment and lots of hard work, Alister leaves with our best wishes for a very well earned rest!



Colin Small
Chair, SHPS Pensions Committee

Benefits of the Scheme

As a member of SHPS you will benefit from:

- A pension, payable from retirement for the rest of your life, related to your salary when you left the Scheme or (for some members) your average earnings during your Scheme membership.
- Retirement age of 65, with the option to take early retirement.
- An immediate pension if you retire due to ill-health (in defined circumstances).
- 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%.
- Life assurance (of three times your pensionable earnings) if you die whilst contributing to the Scheme (not applicable once contributions cease).
- Partner's and/or children's pensions if you die before or after retirement.
- 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 commencement of your pension, but before age 75.

The SHPS Pensions Committee Members

Alister Green (retired 30 September 2009)
Pensioner, formerly Bield Housing Association

Colin Small
Management Consultant to housing organisations, formerly Finance Director in the housing sector for over 20 years

Dennis Jones (resigned March 2009)
Pensioner, formerly Extra Care

Douglas Cuthbertson
Group Company Secretary, the Isos Group

Hugh Jones
Nominated by Community Housing Cymru

Liz Hughes (joined 1 October 2009)
Director of Human Resources, Metropolitan Housing Partnership

Nick Horne
Group Chief Executive, Arcadia Housing Group

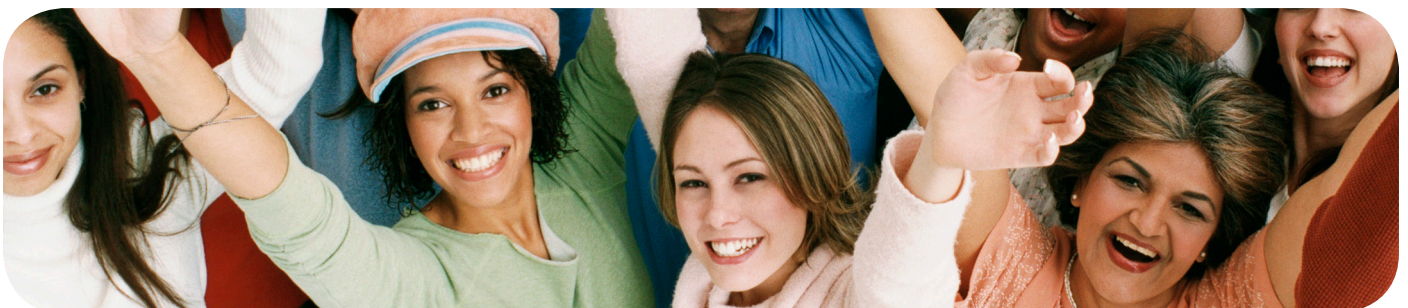
Richard Sheppard
Pensioner, formerly Raglan Housing Association

Robert Stenlake (joined 1 October 2009)
Board member, Teesdale Housing Association

Stephen Duckworth
Nominated by the National Housing Federation

Tiyani Behanzin
Barrister

The Committee is assisted by the Scheme Adviser, **Janet Hennessey**, an Independent Pensions Consultant.



Interested to find out more about what the Committee does on your behalf?
There's more information on the SHPS website at:

www.shps.org.uk

If you would you like to receive your copy of this Review electronically in the future, please email your Name or Organisation Name, Membership or Employer Number, Postcode, and Email Address to shps@thepensiontrust.org.uk

Social Housing Pension Scheme Summary Funding Statement March 2010

The purpose of this Statement is to give all members important information about the Scheme's funding position. A Summary Funding Statement should be issued to members every year. However, when a full valuation of the Scheme is carried out, every three years, there may be a delay which results in two updates being provided in a calendar year. This statement covers the funding position in September 2008 and September 2009.

How does the Scheme work?

Money is collected from the participating employers and active members. It is paid into a communal fund, not separate funds for each individual member. The fund is invested to produce a return and is used to pay members' benefits on leaving, retirement or death. You can find more information about the Scheme's investments in the Annual Review on page 2.

How is the funding position measured?

The Scheme Actuary must carry out a full valuation of the Scheme every three years. The next valuation will take place as at 30 September 2011 and the formal report on the results will be ready in Summer/Autumn 2012. The valuation compares the value of the Scheme's assets (the investments) against its liabilities (the amount needed to provide the benefits that have been promised).

Ongoing funding position at 30 September 2008

The 'ongoing' valuation assumes that the Scheme will continue - employers and members will carry on paying contributions and benefits will continue to build up. This is the basis used for setting contribution rates for the Scheme.

The formal valuation of the Scheme showed that on 30 September 2008 the funding position was as follows:

Assets	£1,527m
Amount needed to provide benefits	£2,190m
Shortfall	£663m
Funding level	70%

More up-to-date information

The latest report by the Actuary showed that on 30 September 2009 the Scheme's funding level was estimated to be 70%, the same as at 30 September 2008.

Recovery plan

Following the 2008 valuation the SHPS Pensions Committee has put in place a funding plan that aims to make sure there is enough money in the Scheme to pay for benefits now and in the future. Extra contributions are being paid into the Scheme until September 2023 to pay off the shortfall. This 'recovery plan' has been submitted to The Pensions Regulator.

The importance of the employers' support

The SHPS Pensions Committee's objective is to have enough money in the Scheme to pay pensions now and in the future. The success of this objective relies on the participating employers continuing to support the Scheme. This is because the employers will be paying a major part of the future expenses of running the Scheme. In addition the funding level can fluctuate, and when there is a funding shortfall the employers will usually need to put in more money.

Solvency position

As part of the formal valuation the Scheme Actuary must estimate what it would cost to wind-up the Scheme and buy insurance policies to secure members' benefits in full ('full solvency'). If the Scheme had wound up as at 30 September 2008 the Scheme Actuary estimated SHPS was 31.1% funded with a shortfall of £3,384 million. We are required by law to provide this information but you should note that there are no plans to wind-up the Scheme.

The Scheme's funding plan assumes that the participating employers will continue in business and support the Scheme. Please bear in mind that the funding levels are a conservative measure, particularly the solvency level, and that all members' benefits are being paid in full even though there is a shortfall.

What happens if the Scheme starts to wind-up?

There are no plans to do this, but if SHPS were to start to wind-up, employers would be required to pay enough money into the Scheme to enable members' benefits to be completely secured with an insurance company. However, the employers might not be able to pay this full amount. The Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members in circumstances where the Scheme winds-up with a shortfall.

Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk. Or you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Where can I get more information?

If you have any other questions, or would like any more information, please contact The Pensions Trust at the address below.

A list of documents which provide further information is shown below. Copies are available on request.

The **Statement of Investment Principles** explains how money paid into the Scheme is invested.

The **Statement of Funding Principles** sets out the Scheme's funding plan.

The **Schedule of Contributions** shows how much money is being paid into the Scheme.

The **Recovery Plan** explains how the funding shortfall is to be made up.

The **Annual Review** shows the Scheme's income and expenditure.

The full report on the **Actuarial Valuation** as at 30 September 2008.

The shorter **Actuarial Report** following the Scheme Actuary's review in 2009.

A Guide for Members. You should have been given a copy when you joined the Scheme, but we can provide you with another copy or you can download a copy from the SHPS website at www.shps.org.uk

An **Annual Benefit Statement.** If you are not getting a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for this statement. It is issued automatically to active members and to members with deferred benefits.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional adviser, such as an Independent Financial Adviser, before taking any action.

Please help us to keep in touch with you by informing The Pensions Trust if you change address.