

# shps

## Annual Review

Year to 30 September 2005



Social Housing Pension Scheme



Administered by  
The Pensions Trust

## 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.

## Chair's Statement

The Social Housing Pension Scheme (SHPS) is the leading pension scheme in the UK for the voluntary housing sector. On behalf of the SHPS Pensions Committee welcome to this Annual Review of your Scheme for the year to 30 September 2005.

Pensions continue to be very much in the news. Whilst headlines are written for impact, even to the point of scaremongering, there can be no doubting the underlying message that good quality pensions are increasingly under threat. In SHPS we are not immune to external events. Your Committee is however being proactive in addressing the primary issues confronting SHPS.

Key features for the year, more fully reported throughout this Review, include:

- a major review of the Scheme's benefit and funding structures
- a 7% growth in membership, bringing total membership to 47,872
- strong investment performance providing an annual return of 22.1%
- over 30% growth in assets to £1.278 billion
- 100% attainment of the administration service standards

Investment performance, critical to the Scheme's financial strength, remains strong. Over the last three years investment returns were 15.1%, 11.3% and 22.1% respectively. Not only are these returns ahead of benchmark but also well in excess of our assumptions. This substantial boost to our assets has however been largely offset by other factors. Not least, the cost of providing pensions is ever increasing as people live longer; and our projected investment returns are falling. In essence liabilities are increasing whilst future income is less secure.

The challenges and difficulties of maintaining good pension schemes are therefore significant. As reported last year a major review of the SHPS benefit and funding structures is being undertaken. Meeting the interests of Members requires working closely with Employers whose ongoing commitment, in terms of a substantial and growing financial contribution, is essential to the long-term sustainability of your Scheme.

It is clear that many Employers need greater flexibility if they are to maintain good pension provision within SHPS. This in turn means the introduction of an element of choice in the benefits which are to be provided and the related funding costs. A Members Leaflet, to be circulated to all active Members, has been prepared to explain these developments and the way ahead. Individual employers and their staff now need to work together to choose, from a set range of options, the benefit structure and funding arrangements for their organisation. The outcome of this important exercise will shape the future of SHPS.

Finally, may I thank the SHPS Team for their continued valued contribution to the efficient administration of our Scheme; and also to the members of the SHPS Pensions Committee for their able and generous input to the work of SHPS. In difficult times your Committee remains committed to the attainment of continuing good quality pension provision for Members.



**Alister Green**  
Chair, SHPS Pensions Committee

## Other Issues

### Member protection

The Pensions Protection Fund (PPF) opened its doors to business on 6 April 2005. Introduced by the Pensions Act 2004, the PPF was established to pay compensation to members of defined benefit schemes, such as SHPS, in the event that:

- all participating employers become insolvent, and
- there are insufficient assets to cover member benefits.

Whilst it is highly unlikely that this chain of events will occur, SHPS must still contribute via a levy to the PPF. The SHPS contribution for 2005/2006 is estimated to be £560,000 and this is due to grow significantly as demands on the PPF increase.

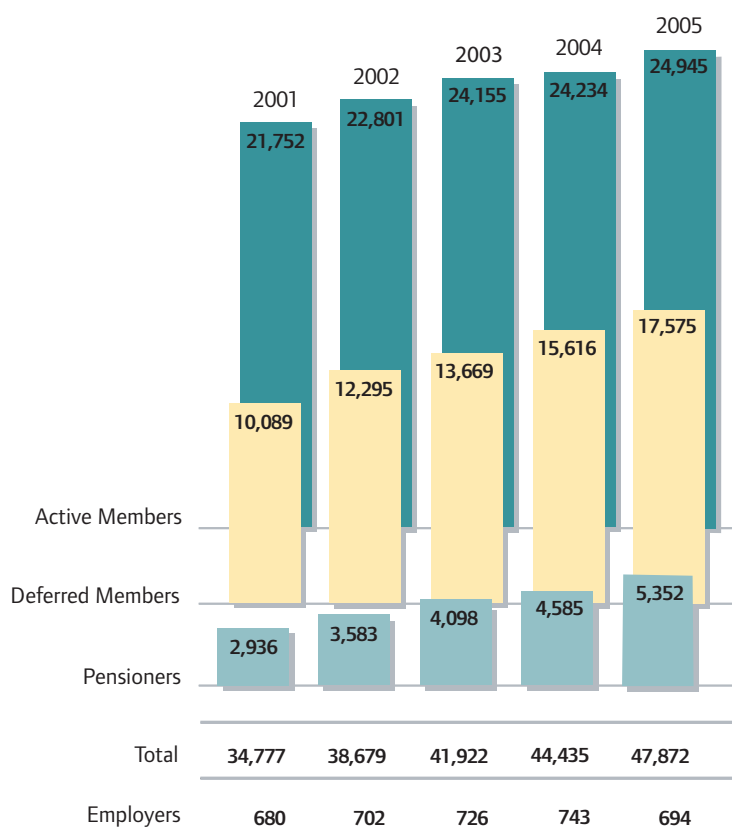
### Simplification

The much heralded 'Pensions Simplification' comes into force from 6 April 2006 ('A Day'). From 'A Day' all existing pensions tax regimes, which restrict benefits or contributions by reference to earnings, company service and age, will be replaced by one new regime based on annual and life-time allowances. In light of these changes the SHPS Pensions Committee have reviewed the tax limits that currently apply and have approved a number of changes. In particular, the Committee have agreed to the following amendments:

- tax free cash sums (now known as Pensions Commencement Lump Sum) increased to the new maximum, and
- improved flexibility by allowing members to start taking their pension while continuing in their present employment.

Full details of these and other amendments to benefit limits will be incorporated into a new Scheme booklet.



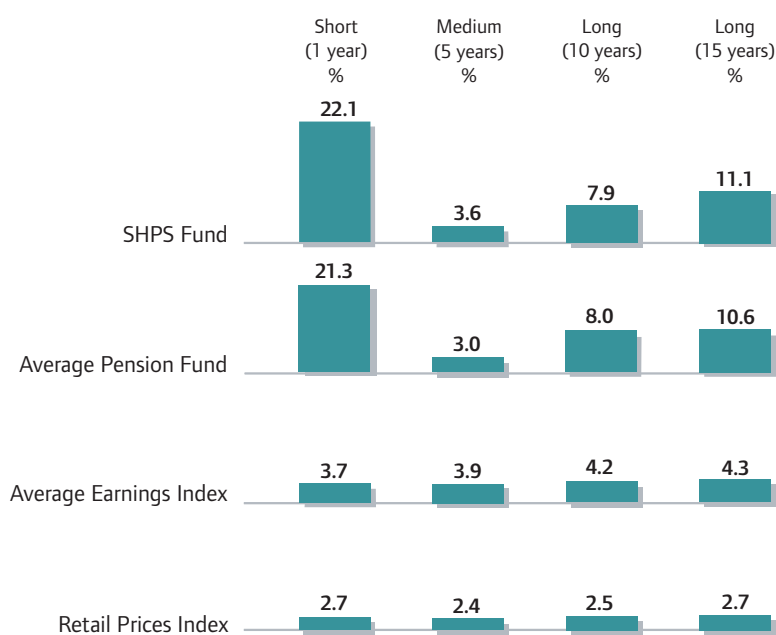


## Membership of the Scheme

Total membership of the Scheme continues to grow and has increased by more than 7% to 47,872 members.

During the year The Pensions Trust has carried out an audit of the employers to which members are attached. As a result of this, the number of employers recorded as having a member attached has fallen.

## To September 2005



## Investment Results

The table shows the investment performance of SHPS over the 12 months to 30 September 2005 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 2005

SHPS 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 14 December 2005. *This summary report is not intended to be a financial statement within the terms defined by SORP (Statement of Recommended Practice for Pension Schemes).*

|   | <b>2005</b>      | <b>2004</b>     |
|---|------------------|-----------------|
|   | <b>£000</b>      | <b>£000</b>     |
| Contributions paid by members and employers     | 98,311           | 85,455          |
| Transfers-in                                    | 12,981           | 15,401          |
| <b>Total money in</b>                           | <b>111,292</b>   | <b>100,856</b>  |
| Benefits paid (pensions and lump sums)          | (23,108)         | (18,897)        |
| Payments to leavers                             | (4,290)          | (6,238)         |
| Administrative costs                            | (3,605)          | (3,337)         |
| Pension protection fund                         | (280)            | (0)             |
| <b>Total money out</b>                          | <b>(31,283)</b>  | <b>(28,472)</b> |
| <b>Net additions from dealing with members</b>  | <b>80,009</b>    | <b>72,384</b>   |
| <b>Return on investments</b>                    |                  |                 |
| Investment income and gains                     | 223,003          | 95,861          |
| Investment management expenses                  | (2,342)          | (1,966)         |
| <b>Net returns on investments</b>               | <b>220,661</b>   | <b>93,895</b>   |
| <b>Net increase in the Fund during the year</b> | <b>300,670</b>   | <b>166,279</b>  |
| <b>Net assets of the Scheme</b>                 |                  |                 |
| At the beginning of the Scheme year             | 977,824          | 811,545         |
| <b>At the end of the Scheme year</b>            | <b>1,278,494</b> | <b>977,824</b>  |

## Looking after your Scheme

### The SHPS Pensions Committee (as at 30 September 2005)

**Alister Green**

Bield Housing Association

**Colin Small**

Group Finance Director,  
Festival Housing Group

**Douglas Cuthbertson**

Group Finance Director,  
Isos Housing Ltd

**Hugh Jones**

(Nominated by the WFHA)

**Ian Wheeler**

Care Manager,  
Granta Housing Society

**Joy Uings**

Finance Manager,  
People First Housing Association

**Nick Horne**

Group Chief Executive,  
Arcadia Housing Group

**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

F & C Asset Management Ltd

Morley Fund Management Ltd

Standard Life Pensions Funds Ltd

**Property Investment Managers**

CB Richard Ellis Investors Ltd

**Investment Consultants**

Watson Wyatt Investment

Mercer Investment Consulting

**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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[www.shps.org.uk](http://www.shps.org.uk)