

Annual Review

Year to 30 September 2007

shps

Welcome.....

.....to the SHPS Annual Review for the year to 30 September 2007. We have adopted a new format this year and have also incorporated the Summary Funding Statement (on pages 5 & 6). We hope you like the new format and welcome your feedback.

Scheme News - Benefit Structures

2007 has been an exceptionally busy year for the Scheme, with over 30,000 items of work being completed by The Pensions Trust on your behalf. The new Scheme structure, with three benefit options, was introduced in April 2007 following two years of preparatory work. This involved a huge effort on the part of the Committee, The Pensions Trust and participating employers, many of whom had, for the first time, to conduct a statutory consultation exercise with employees.

All the Scheme literature - for members and employers - has been rewritten.

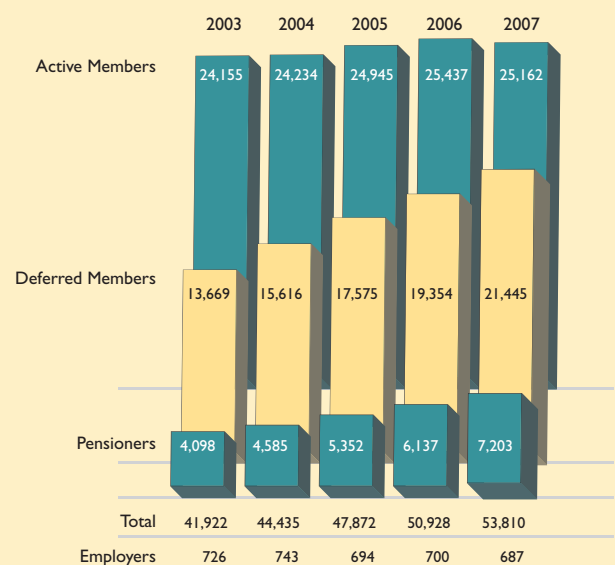
We have also taken the opportunity to revamp the Scheme website, where all the new documents can be found.

The SHPS Committee would like to thank everyone who played a part in ensuring that the new arrangements were introduced seamlessly and on time.



Scheme News - Membership

The Scheme has continued to grow over the year, despite general trends pointing to a decrease in pension scheme membership. We believe this reflects the commitment of our employers to maintaining and promoting a good quality pension scheme. Membership has grown by over 5% to 53,810, although the number of active members has fallen slightly this year.



Committee News - Scheme Adviser Appointed

Throughout the recent Major Review of the Scheme, the SHPS Committee drew on the expertise, guidance and support of a consultant. Some of the issues the SHPS Committee will need to consider over the next few years are complex and will require additional expertise. A scheme adviser, Janet Hennessey, has been appointed to assist the Committee here. Janet has worked for BP, TSB and Mercer Consulting and she is a Fellow of both the Chartered Insurance and Pensions Management Institutes.

Committee News - Elections

Elections were held in June 2007. Colin Small was re-elected by employers and Dennis Jones of Extracare Charitable Trust was elected by members; Dennis joined the Committee on 1 October 2007. Ian Wheeler of Granta Housing Association retired from the Committee on 30 September 2007. After nine years at the helm, Alister Green stepped down as Chair and was succeeded by Colin Small, formerly of Festival Housing Group.

Fund Statement - For the year ended 30 September 2007

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 11 December 2007. This summary report is not intended to be a financial statement within the terms defined by SORP (Statement of Recommended Practice for Pension Schemes).

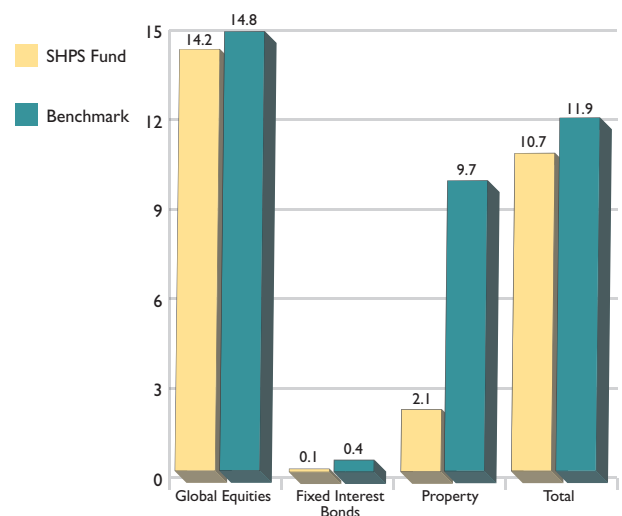
	2007	2006
	£000	£000
Contributions paid by members and employers	122,920	104,616
Transfers-in	14,321	11,634
Total Money In	137,241	116,250
Benefits paid (pensions and lump sums)	(39,115)	(30,451)
Payments to leavers	(5,692)	(4,482)
Administrative costs	(4,022)	(3,807)
Pension Protection Fund	(694)	(620)
Total Money Out	(49,523)	(39,360)
Net additions from dealing with members	87,718	76,890
Return on investments		
Investment income and gains	161,558	162,354
Investment management expenses	(3,525)	(3,006)
Net returns on investments	158,033	159,348
Net increase in the Fund during the year	245,751	236,238
Net assets of the Scheme		
At the beginning of the Scheme year	1,514,732	1,278,494
At the end of the Scheme year	1,760,483	1,514,732

Scheme Performance - Investment Results

SHPS invests its funds 75% in global equities, 17.5% in fixed interest bonds and 7.5% in property.

A disappointing return of 10.7% was achieved over the year against a benchmark of 11.9%.

The SHPS Committee monitors investment performance carefully. It receives investment reports which are considered at each quarterly Committee meeting. This year an Investment Sub-Committee has been set up. Its role is to review and help develop the investment strategy against the needs of the Scheme. Over the coming year, changes to the Scheme's funding strategy will take place. These are aimed at reducing the volatility of the Scheme's investments.



Chair's Commentary

Though I didn't officially take over as Chair of the SHPS Committee until December 2007, it falls to me to say a few words about the progress the Scheme has made, in a very difficult environment, in the last year. I am delighted the new Scheme structure has been introduced and has bedded in so smoothly and my thanks for this go to all involved.

As the review of the Scheme has progressed, the Committee has realised that April 2007 was the start, not the end, of a bigger process. The Government has announced a new scheme of Personal Accounts will open for business in 2012, and with the help of our colleagues at The Pensions Trust and Janet Hennessey, our new Scheme Adviser, we will develop strategies to meet this and many other challenges that lie ahead.

I would like to thank the staff at The Pensions Trust and the members of the Committee for their support throughout the year.

Before closing I would like to pay tribute to Alister Green, who chaired the SHPS Committee for nine years. His contribution in leading the Scheme through a period of significant change, challenge and growth has been outstanding. Alister remains on the SHPS Committee and his vast experience will continue to be a major benefit to our work on behalf of employers and members.

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 in employment.
- 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.

The SHPS Committee Members

Alister Green

Pensioner
Bield Housing Association

Colin Small

A Career Financial Director, formerly of Festival Housing Group

Ian Wheeler

Retired Care Manager
Granta Housing Society
(Retired 30 September 2007)

Douglas Cuthbertson

Finance Director
Enterprise 5 Housing Association Ltd

Heather Rutherford

Formerly Head of Human Resources
Orbit Housing Group

Hugh Jones

Nominated by Community Housing Cymru

Nick Horne

Group Chief Executive
Arcadia Housing Group

Richard Sheppard

Pensioner

Stephen Duckworth

Nominated by the National Housing Federation

Tiyani Behanzin

Barrister and Independent Housing and Development Consultant



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

www.shps.org.uk

Social Housing Pension Scheme Summary Funding Statement

The purpose of this Statement is to give all members important information about the Scheme's funding position. It shows how the funding position may have changed since the last formal valuation in 2005. A Summary Funding Statement must be issued to members every year.

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.

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 2008 and the results will be ready in Autumn 2009. 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). The comparison is done on two scenarios - 'ongoing' and 'solvency'; these are explained later. In the years between valuations the Scheme Actuary must produce a report estimating how the position has changed over the previous 12 months.

Ongoing funding position

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.

Since the formal valuation as at 30 September 2005 the Scheme Actuary has produced two Actuarial Reports as required by law, and an interim valuation at the request of the SHPS Committee. The results are summarised in the table below.

	Formal Valuation at 30 September 2005	Actuarial Report at 30 September 2006	Interim Valuation at 31 March 2007	Actuarial Report at 30 September 2007
Assets	£1,278m	£1,515m	£1,650m	£1,760m
Amount needed to provide benefits	(£1,561m)	(£1,750m)	(£1,830m)	(£1,969m)
Surplus (shortfall)	(£283m)	(£235m)	(£180m)	(£209m)
Funding level	82%	87%	90%	89%*

Why has the funding position changed?

The funding position improved steadily from September 2005 to March 2007 due to better than expected investment returns.

*If the Scheme Actuary had been able to do his calculations in September 2007 using the assumptions he used for the March 2007 interim valuation, the funding level would have improved slightly to around 91%. However, people are living longer so pensions will be paid for longer and will cost more. The Scheme Actuary has factored this into his calculations and the estimated funding level reduced slightly during 2007.

Recovery plan

Following the 2005 valuation the SHPS 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 2020 to pay off the shortfall. This 'recovery plan' has been approved by The Pensions Regulator.

The importance of the employers' support

The 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 2005 the Scheme Actuary estimated SHPS was 38% funded with a shortfall of £2,074 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.

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 Report and Financial Statements** show the Scheme's income and expenditure.

The full report on the **Actuarial Valuation** as at 30 September 2005.

The shorter **Actuarial Reports** following the Scheme Actuary's reviews in 2006 and 2007.

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 website.

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, from later this year, 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 let us know if your address changes.



Administered by
The Pensions Trust

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