

shps

Employer Administration Guide



Defined Benefit for CARE and Final Salary

Social Housing Pension Scheme



Administered by
The Pensions Trust

Employer Administration Guide

Defined Benefit for CARE and Final Salary



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Introduction

This Guide sets out details of the actions required in relation to specific events that occur during the life cycle of membership of the Defined Benefit structure, from joining to retirement. All the forms that are mentioned in this Guide are available to download on the Social Housing Pension Scheme (SHPS) website www.shps.org.uk > Document Library > Employer and/or Employee Literature. Alternatively, hard copies can be obtained by contacting 0845 608 5252. If you operate the Defined Contribution benefit structure of SHPS please refer to the separate Employer Administration Guide - Defined Contribution.

Administration

SHPS is administered by dedicated Customer Services Teams at The Pensions Trust. Contact details are included on page 18.

Cost to new members

Many employees do not join the Scheme because they think that it might be too expensive. The main reason for this is that they do not take account of the savings due to tax relief and the reduction in National Insurance contributions that applies to employees who are members of the Defined Benefit structure. A Cost Calculator is included later in this Guide; this will help individuals to calculate the net cost of membership of the Scheme. There is also a calculator on the SHPS website www.shps.org.uk > Pension Calculators. As well as providing a forecast of benefits the calculator provides information about contributions.

1. Admitting New Members

You must provide basic legal information about your pension arrangements to your eligible employees.

This information is included in the booklet A Guide for Members - Defined Benefit. Members will receive a copy when they join the Scheme. If an employee requires a copy prior to joining you can download it from the SHPS website www.shps.org.uk > Document Library > Employee Literature. Alternatively, please let us know and we will issue the Guide on your behalf.

Employee Application Form

A completed Employee Application Form must be sent to The Pensions Trust for each employee who wishes to join the Scheme. This should be sent prior to the proposed date of joining the Scheme where possible. The Employee Application Form is available to download from the SHPS website www.shps.org.uk > Document Library > Employee Literature.

The member should complete the relevant sections, including the lump sum death benefit and pension nomination sections, to avoid unnecessary delays in the payment of benefits in the event of death-in-service. The employer section must also be fully completed.

Details of how members can change nominees can be found in 'Basic Data Changes'.

Part-time employees may join the Scheme. Please ensure that the relevant section of the Employee Application Form is completed showing contractual and full-time equivalent hours.

Please check that all appropriate sections have been completed and that the Employee Application Form has been signed both by the employee and on behalf of the employer.

On receipt of the Employee Application Form, The Pensions Trust will check the details provided and set up the membership record. Once the Employee Application Form has been processed, a Membership Certificate will be issued direct to the member. The employer will also receive confirmation of the membership number and appropriate contribution rates. On receipt of the confirmation of membership you should notify your Payroll Team that contributions should be deducted and paid from the date of joining the Scheme.

Membership numbers should be quoted in any future correspondence, as this will help us identify the member quickly.

An employee will not be classed as a member of the Scheme until a completed Employee Application Form, signed by both the employer and the employee, has been received and processed by The Pensions Trust.

It is extremely important that these application procedures are followed. If this is not the case and an employee dies shortly after the expected date of joining, there could be complications with the payment of death benefits.

Please do not deduct and remit contributions in respect of the member until you have received confirmation of their scheme membership. If contributions or data are submitted before a membership record has been created, this will cause a validation error to be generated during the monthly contribution process. This may lead to delays in processing the monthly information and settling other members' benefits.

Backdating membership

In general it is not possible for either employers or members to backdate their membership of the Scheme. Therefore, the Employee Application Form should be completed and sent to The Pensions Trust as soon as possible to ensure that the correct date of entry into the Scheme is recorded.

Telephone enrolment system

The Pensions Trust operates a telephone enrolment system that employers can use to register all employees wishing to join the Scheme. The Administration Team will deal with the enrolment process and they can be contacted on 0113 394 2894. Please have an Employee Application Form to hand as this will guide you through the information that is required.

The Administration Team will issue a confirmation document (Membership Agreement). This will show the new member's details, which can then be agreed and signed by both the employee and on behalf of the employer. The signed Membership Agreement must be returned to the Trust in order to complete the enrolment process.

If this is not returned within a period of two weeks from the date of issue, a reminder will be automatically issued. If it is not received within a further two weeks, the Trust will assume that the enrolment is not to proceed.

On receipt of the signed Membership Agreement, the membership record will be established and final confirmations of membership will be issued to both the member and employer.

On receipt of the confirmation of membership you should notify your Payroll Team that contributions should be deducted and paid from the date of joining the Scheme.

Contributions should not be deducted until the final confirmation is received. For members enrolled using the telephone enrolment system, membership will start from the date the employer first contacted the Administration Team.

2. Transfers

Transfers of previous pension benefits into SHPS

Transfers of pension benefits from other schemes are allowed only into the Defined Contribution benefit structure of the Scheme and are subject to various criteria set by the Trustee.

If a member has other pension benefits and wishes to investigate the feasibility of transferring these into the Defined Contribution benefit structure of the Scheme they should complete a Transfer In Form of Authority, available on the SHPS website www.shps.org.uk > Document Library > Employee Literature and forward this to The Pensions Trust. The Pensions Trust will then confirm if a transfer is possible.

The Pensions Trust and its staff are not authorised by the Financial Services & Markets Act 2000 to provide financial advice. If a member is considering a transfer of previous benefits into the Defined Contribution benefit structure, independent financial advice is recommended. Details of local registered advisers can be found at www.unbiased.co.uk.

Internal transfers within SHPS

Employees moving between employers in the social housing sector may be entitled to continuous membership of the Scheme if both employers participate in SHPS.

An employee may claim continuous membership within the Scheme if they have joined your organisation and rejoined the Scheme within 30 days of leaving another participating employer. However, the member can choose to keep their benefits separate when it is in their interests to do this. An example could be when their full-time equivalent salary is lower than in their last job.

If a member was in the Defined Contribution benefit structure and joins an employer which offers an open Defined Benefit structure, the membership periods will be treated separately. The same condition will apply if a member in a Defined Benefit structure joins an employer which only offers the Defined Contribution benefit structure. Continuous membership cannot apply between Defined Contribution and Defined Benefit structures.

As this is a complex area, members considering an internal transfer may find it helpful to discuss this with the SHPS Administration Team at The Pensions Trust. Contact details are included on page 18.

Once the member has reached a decision they will need to complete either an Internal Transfer Form or an Employee Application Form, as appropriate. The employer should then complete their section of the form before sending it to The Pensions Trust.

Member instigated transfers between benefit structures

A member of a live benefit structure can opt to move to an open benefit structure for future benefits by completing a Transfer to New Benefit Structure Form. Such a decision cannot be reversed at a later date. If the member was in a Final Salary benefit structure and moved to a CARE or Defined Contribution benefit structure, the Final Salary link will be maintained for any accrued Final Salary benefits.

3. Temporary Absence

What to do when a member is absent from work

If a member is absent for some time due to pregnancy, illness or some other reason, it is important that you notify The Pensions Trust as the absence may impact on the benefits payable from the Scheme.

Maternity and family leave

Under the Scheme's Rules, no contributions are due from the member or the employer for the first 26 weeks of a member's maternity leave, but benefits continue to accrue during this period.

For the period from 27 to 39 weeks, the member is required to pay contributions on any pay she is still receiving from the employer, which, at this stage, is likely to be Statutory Maternity Pay (SMP). During this period, the employer pays the amount it would pay if the member were working normally (based on the pay she would have been receiving), plus any shortfall in the member's normal contribution. This does not apply to any Additional Voluntary Contributions (AVCs) paid by the member.

For example, if the member would have paid £90 per month in employee contributions, but is paying £30 per month as a result of receiving SMP, the employer would need to pay the balance of £60 as well as the employer's normal contribution. If she is not receiving any pay, between week 27 and 39 full contributions are required from the employer, that is an amount equal to both employee and employer contributions.

Any shortfall paid by the employer, as described above, should be paid as employer contributions, not member contributions.

Membership of the Scheme must be maintained for the first 39 weeks as though the member were working normally. Therefore, the member will earn the same pension as she would have had she been at work.

Please note: This does not apply to AVCs paid by the member unless she continues to pay AVCs throughout the period of absence.

For the period of unpaid maternity leave, from 40 to 52 weeks, no contributions are due from either member or employer, and pension benefits will not accrue during this period.

When the member returns to work you should inform us, in writing, and resume deducting contributions as normal.

If the member wishes to pay arrears of contributions to cover any period of unpaid maternity leave, the employer has discretion over whether or not to pay its contributions. **Please note: Where the employer declines to pay, the member may, if she wishes, pay the employer's share.** If anything less than the full amount is paid, the member's benefits will be adjusted to reflect the proportion of the full contributions that have been paid. The Pensions Trust will confirm the benefit that has been secured following payment of the contribution arrears. If the member chooses not to pay the arrears, a service break will be recorded on her membership record and no benefits will accrue for this period.

If the member does not return to work after a period of maternity leave, the employer should complete a Withdrawal Form (see 'Leaving the Scheme'). The date of leaving will normally be the end of the paid maternity leave period.

For periods of paternity, adoption or parental leave (known collectively as 'family leave'), if the leave is paid, the same rules apply as those for maternity leave; if the leave is unpaid, the temporary absence rule applies (see below).

The full range of death benefits will continue to apply whilst the employee is on maternity leave or family leave.

Please note: The option to pay contribution arrears is not available to a member who does not return to work.

Sick leave

Contributions can continue to be paid based on either earnings prior to absence or actual earnings during absence, as agreed with the employer. Where the member receives no pay, contributions will normally stop and benefits do not accrue during this period. This usually applies to employees on long-term sick leave. When the member returns to work they will have the option to pay the contribution arrears. If the member opts to do so, the employer may, at its discretion, also choose to pay the employer contributions missed. **Please note: Where the employer declines to pay arrears, the member may, if they wish, pay the employer's share to provide full benefits.**

If both member and employer pay full contributions, the member will accrue full benefits for the period of absence. If anything less than the full amount is paid, benefits will be adjusted to reflect the proportion of the full contributions that has been paid. The Pensions Trust will confirm the benefit that has been secured following payment of the contribution arrears.

Should the member choose not to pay the contribution arrears, a service break will be recorded on the membership record and no benefits will accrue for this period.

Please note: The option to pay contribution arrears is not available to a member who does not return to work.

If the member's absence exceeds three years, and they remain in your employment, membership may continue. However, employer consent is required, and continuing membership is conditional on employee and employer contributions being paid in full (including any arrears due).

The full range of death benefits will continue to apply whilst the employee is a member of the Scheme.

Temporary absence

For other types of absence, agreed by the employer, contributions are payable on any earnings received. When the member returns to work they will have the option to pay the contribution arrears. If the member opts to pay arrears, the employer may, at its discretion, also choose to pay the employer contributions missed as outlined above. Alternatively, the absence will either be recorded as a break in membership if no pay was received, or pensionable service will be adjusted to reflect actual contributions paid during the period of temporary absence.

If the absence continues beyond three years, the member is treated as a leaver. Please complete a Withdrawal Form showing the date of leaving as the earlier of the date the member's contributions stopped or the date when the member had been absent for three years (see 'Leaving the Scheme').

The full range of death benefits will continue to apply whilst the employee is a member of the Scheme.

Please note: The option to pay contribution arrears is not available to a member who does not return to work.

4. Leaving the Scheme

This section applies to employees who are leaving the Scheme either as a result of leaving employment or a decision to opt out of the Scheme whilst remaining in employment.

What to do when a member leaves the Scheme

Employers using the eBusiness system should complete the Withdrawal Form online within two months of the member leaving. The date of leaving and reason for leaving should be added to the online Withdrawal Form when you are sending your monthly data.

The employer will not be able to submit further monthly contributions for any member if the Withdrawal Form is still outstanding at the end of the two-month period.

The short-term alternative for an employer not yet using eBusiness is to complete and return a Withdrawal Form to The Pensions Trust. The form can be downloaded from our website www.shps.org.uk > Document Library > Employer Literature. It is important that we receive this form as soon as possible after the member's date of leaving so we can calculate benefits, notify the member of their leaving service options, and bring our records up-to-date.

What to do if a member opts out

If a member decides to leave the Scheme but remains employed, an Opt Out Withdrawal Form must be completed by the member and the employer. The member must complete the member section of the Opt Out Withdrawal Form to confirm their intentions and acknowledge the benefits they will be giving up. The member's spouse/civil partner is also required to sign the Opt Out Withdrawal Form. The form can be downloaded from the SHPS website www.shps.org.uk > Document Library > Employee Literature or can be obtained by calling the SHPS Administration Team.

The employer must complete the employer section of the Opt Out Withdrawal Form and forward the original to the SHPS Administration Team. The employer's Payroll Team must also be advised of the change so that pension contribution deductions cease and the correct National Insurance category is applied from the appropriate date.

An employee who has opted out of the Scheme whilst remaining in employment and who wishes to rejoin at a later date may be permitted to do so, subject to the agreement of their employer and the SHPS Pensions Committee. Evidence of good health will be required and some restrictions may apply if this is not available.

What happens next?

On receipt of the Withdrawal Form The Pensions Trust will process the member's leaving options. Details will be sent directly to the member's home address. These options may be:

- **A deferred pension** – A pension benefit based on service from the date the member joined the Scheme to the date of leaving and pensionable earnings.

The pension remains in the Scheme and will be increased each year until retirement. The rate of increase is linked to the Retail Prices Index over the period of deferment.

Benefits can be taken from age 55 (50 if the member joined SHPS before April 2006 - see 'Retirement') but are reduced for early payment where payment is made before age 65. Once a member has left the Scheme The Pensions Trust will deal directly with them regarding payment of benefits when they become due.

A deferred member will receive an annual statement from The Pensions Trust.

- **A transfer value** – It may be possible for the member to transfer their benefits from the Scheme to another registered pension arrangement.

Members who wish to investigate this option should ask their pension provider to contact The Pensions Trust for a quotation. The member's written authority is required in order to release information to a third party.

Members can transfer their benefits out at any time. The Pensions Trust and its staff are not authorised by the Financial Services & Markets Act 2000 to provide financial advice. If a member is considering transferring their benefits, independent financial advice is recommended. Details of local registered advisers can be found at www.unbiased.co.uk.

- **Refund of contributions** – This option is only available to members with less than two years' membership (including any transferred-in membership). Members can choose to receive a refund of the contributions that they have paid into the Scheme. If they take a refund no further benefits remain in the Scheme. There are two deductions that have to be made from the refund:
 - i) tax at 20% will be deducted from the contributions refunded (50% on the amount in excess of £20,000); and
 - ii) an amount which will buy the member back into the additional State Pension (known as State Second Pension).

Please note: Should the member have transferred benefits from a previous arrangement, it may not always be possible for them to receive a refund of contributions.

- If the employee is leaving because of ill-health or is retiring, see 'Retirement'.



5. Retirement

What to do when a member retires...

Before Normal Pension Age

Normal Pension Age (NPA) for Scheme benefits is 65 years.

Early retirement can be taken at any time from age 55. Members who joined the Scheme before 6 April 2006 can take their retirement benefits from age 50 but they must leave your employment to do this. This is called a 'Protected Pension Age'.

If a member is retiring prior to age 65 the pension will be reduced to reflect early payment. The pension will be smaller than it would be at age 65 because:

- the member will have been in the Scheme for a shorter period; and
- early retirement pensions are expected to be paid for longer and are reduced to take account of this.

Please note: Benefits earned in respect of service prior to 1 April 2002 (including service transferred from another scheme) will be unreduced from age 60. This reflects the previous rules enabling flexible retirement between ages 60 and 65.

If the member decides to retire early, please send a Withdrawal Form to The Pensions Trust. We can accept the Withdrawal Form up to three months prior to the retirement date. This includes members who are taking benefits but remaining in employment. Information about their retirement options will be sent direct to the member.

Please note: Benefits cannot be paid without a completed Withdrawal Form. Any delay in sending the Withdrawal Form may result in a delay in the payment of the member's benefits.

At NPA

For a member approaching NPA please submit a Withdrawal Form three months prior to the retirement date. The Pensions Trust will then liaise directly with the member and provide details of the options available. The options that may be available are outlined in the booklet A Guide for Members - Defined Benefit.

Copies of the retirement options can also be forwarded to the employer. Please inform The Pensions Trust when you send the Withdrawal Form if you would like to receive a copy.

After NPA

If still employed, members can continue contributing to the Scheme after NPA. Benefits earned to NPA will be increased to take account of the later payment and benefits will continue to be earned after NPA.

Death benefits will continue to be provided on the same basis as they were before NPA. The pension must be paid no later than age 75.

As soon as you know the date the member expects to retire, please send The Pensions Trust a completed Withdrawal Form.

Because of ill-health

If it seems likely that a member may need to retire early because of ill-health, you should inform The Pensions Trust. Guidance on eligibility is available on request. The Pensions Trust will send you a questionnaire to complete and return. The member must complete and return a form giving consent for The Pensions Trust to contact their doctor for a medical report.

In order for the member to qualify they must be considered to be unable to work again, in any capacity, before reaching NPA. If the application is approved the pension will be paid at a higher rate than if the member had voluntarily elected to retire early.

If the ill-health retirement application is approved, we will contact you to request a Withdrawal Form. The pension is payable from the day after the date of retirement shown on the Withdrawal Form.

Ill-health pensions are reviewed periodically to check a member's continuing eligibility to receive benefits.

If the ill-health retirement application is declined, the member may appeal to the SHPS Pensions Committee. A declined application does not mean a member cannot apply again at a later date (for example if their condition deteriorates).

The alternative options would be a deferred benefit if employment is terminated, or voluntary early retirement if the member is over age 55 (50 if they have a 'Protected Pension Age').

6. Death

The information in this section applies to all members of the Scheme, active, deferred and pensioner. In practice it is likely that notification of the death of deferred or pensioner members will come directly from the member's relatives.

What to do when a member dies

If you become aware of the death of an active, deferred or pensioner member please telephone the SHPS Pensions Administration Team on 0845 608 5252.

Please provide as much information as possible so that benefits can be calculated.

For active members, please send a completed Withdrawal Form to The Pensions Trust with the original death certificate, or a certified copy, as soon as this is available.

Any further information relating to the deceased member's next of kin or nominated beneficiaries, or any unusual circumstances, should be provided. This will help The Pensions Trust to deal with the payment of benefits sensitively and efficiently.

If you prefer to remain involved, you should notify The Pensions Trust. Otherwise The Pensions Trust will liaise directly with the deceased's family and/or nominated beneficiaries over any forms to be completed and copies of relevant certificates that are required. This will include:

- Spouse's/civil partner's birth certificate.
- Marriage/civil partnership certificate.
- Child's birth certificate.
- Evidence of continued full-time education.
- Dependant's evidence of financial dependency.

7. Monthly Data and Contribution Process

This section outlines the activity that must be carried out, normally monthly, to submit contributions and data in respect of Scheme members.

Every month, employers must provide The Pensions Trust with a complete list of contributions applicable to each individual member. The Pensions Trust must receive contributions by the 14th of the calendar month following the month in which the contributions were deducted from the members' salaries. This will enable the Trust to process contributions by the 19th, which is the legal deadline as set out in the Pensions Act 1995. **Please note: You are legally obliged to remit contributions deducted from members' pay on time. If you don't, The Pensions Regulator may fine your organisation. The Pensions Trust will not be responsible for any fines imposed.**

The preferred format for employers to submit data is via The Pensions Trust's eBusiness system, prior to sending a contribution payment. All SHPS employers are expected to be using eBusiness by the end of 2010. Please refer to the eBusiness Employer User Guide for further details and requirements.

The contributions data submission must comply with The Pensions Trust's data standards and include the following information:

- The Pensions Trust Membership Number;
- Member's Surname;
- National Insurance Number;
- Forename/Initial (optional);
- Payroll Number (optional);
- Annual Pensionable Salary;
- Salary Effective Date;
- Contractual Hours;
- Full-Time Equivalent Hours;
- Hours Effective Date;
- Monthly Pensionable Earnings;
- Employee Contributions;
- Employer Contributions; and
- Additional Voluntary Contributions (AVCs).

Submitting contribution data online using eBusiness ensures that the data is validated and any queries are resolved before the data is loaded to the membership records. This will avoid any potential delays arising when settling members' benefits and will improve the accuracy of data recorded.

If you are not yet enrolled onto eBusiness, the short-term alternative is an Excel (or compatible) spreadsheet showing each of the above categories in a separate column. (The same information would also be acceptable in a .csv file.) The columns should show only the required information and there must be only one row of information per member. There should also be a comments column for any relevant data changes, i.e. changes to salary, working hours, leavers, maternity leave, sick leave, etc. and the date of the change.

This information should be sent password protected with agreed passwords by email to contributions@thepensiontrust.org.uk or using the secured send facility available. If you require further information regarding this please contact the Administration Team at The Pensions Trust on 0113 394 2894.

Member contributions – important note

If you have chosen age banded member contributions you must ensure systems are in place to enable you to change a member's contribution rate on reaching age 30 and again on reaching age 40. Members' contributions increase on the 1st April following their 30th or 40th birthday.

Pensionable earnings

Contributions are payable and benefits are calculated on the member's normal gross pay including London Weighting (where applicable), shift pay, **contractual** bonuses, **contractual** overtime, allowances and such other emoluments as agreed with the SHPS Pensions Committee, but excluding non-contractual overtime, or such other emoluments agreed with the employer. You should include monthly pensionable earnings details on the monthly data submission.

Childcare vouchers: If these are offered to employees, it is your decision whether you want to treat the value as pensionable earnings. However, as the aim of these vouchers is solely to reduce childcare costs, we recommend that payments made to members in the form of childcare vouchers should be treated as pensionable.

Holiday pay

Pension contributions should not be deducted from payment in lieu of notice or holiday pay, where this relates to outstanding holidays when a member leaves employment. Where a member leaves part way through the month, contributions should only be deducted for the part of the month they are employed and not for the whole month.

If contributions are deducted incorrectly you will be obliged to refund them to the member via your payroll system to ensure tax and National Insurance are correctly deducted.

If you have any queries regarding the above, or require any further information, please contact the Administration Team at The Pensions Trust on 0113 394 2894.



8. Basic Data Changes

It is important that members notify us when their circumstances change, so that we may update our records. Accurate and up-to-date information will reduce delays when benefits become payable.

Change of address

Changes of address can be provided by telephone, email or in writing. Before we can update the member's records following notification by telephone, we will need to ask a few simple questions to verify the member's identity. These can include:

- Full Name;
- Date of Birth;
- National Insurance Number;
- Membership Number; and
- Employer Name.

If the member is unable to supply this information, for security reasons we will ask the member to confirm the change of address in writing.

Change of nominee for benefits on death

Changes to nominee details must be provided in writing and cannot be accepted by telephone or email as the member's signature is required. The member can either:

- provide signed confirmation of the changes; or
- download a Nomination Form from our website www.shps.org.uk > Document Library > Employee Literature or contact us to request one. The form should then be completed and returned to The Pensions Trust as soon as possible.

Change of name/status

Change of name or status must be provided in writing and cannot be accepted by telephone or email.

Evidence of the change should be provided. A copy certificate is sufficient if certified by the employer, otherwise the original should be supplied.

If the member is married or has nominated a beneficiary for the survivor's pension, it would be beneficial to provide a copy of the partner/spouse's birth certificate. Certified copies are acceptable. This will avoid delays when benefits become payable.

Please note: All original documents will be returned by special delivery following completion of the amendment.

For those employers using the eBusiness system, a change of name or status can be updated online when submitting the contributions data.

9. Additional Voluntary Contributions (AVCs)

Members of the Scheme may pay AVCs to the Defined Contribution benefit structure of SHPS, or to an alternative pension provider of their choice, in order to increase their income in retirement. If AVCs commenced before October 2010 they may be paid to another option offered by The Pensions Trust. Full details of the options available from The Pensions Trust, and further information about AVCs, will be provided on request.

If a member pays AVCs to an arrangement administered by The Pensions Trust, the AVCs should be included in the monthly data submission and must be identified separately from the normal contributions. You should collect the AVCs through the payroll in the same way that normal contributions are collected. You should deduct AVCs from gross pay, in the same way as normal scheme contributions, before calculating tax under the PAYE system.

You, as the employer, are not required to make any extra payment. **Please note: If the member chooses to make payments to an alternative provider, you are not required to deduct or remit these contributions through your payroll. The member must make their own arrangements directly with their chosen provider.**

Members will receive full tax relief on contributions to as many different tax-registered pension arrangements as they choose, provided that the total paid in each year does not exceed their annual earnings or the 'Annual Allowance'. Further information on the Annual Allowance is provided in the booklet A Guide for Members - Defined Benefit.

As long as the total increase in benefits in any one year does not exceed the Annual Allowance, members will receive tax relief on contributions made to pension arrangements up to 100% of their earnings. For example, if the member's total contribution to the Scheme is 7%, they will have scope to pay up to a further 93% of their earnings as tax-free AVCs. If their contributions exceed 100% of earnings in any tax year, tax on the excess, at the member's marginal rate, is payable through self-assessment. Further restrictions apply to member's earning £130,000 a year or more.

The Annual Allowance is £55,000 for the 2011/12 tax year.

Any member wishing to pay AVCs to The Pensions Trust should complete an AVC Application Form. You must then sign the Employer's Declaration before sending the completed form to The Pensions Trust so that our records can be updated. AVCs should be expressed as a percentage of salary, or as a one off lump sum. If the member wishes to pay a one off lump sum, the amount must be paid via the employer payroll. We cannot accept personal cheques from members.

A further guide for members, How to Boost Your Pension, is available on request or to download from the SHPS website www.shps.org.uk > Document Library > Employee Literature.

Please photocopy this page as required

10. Employee Cost Calculator

Calculation of the net cost to the employee

The Government encourages employees to join pension schemes by granting tax relief on their contributions. The Defined Benefit structure of SHPS is also contracted-out of the additional State Pension so members pay a lower rate of National Insurance. The net cost to the member is therefore considerably less than the gross contribution.

To calculate the net cost to the employee, you can use the Pension Calculator on the SHPS website www.shps.org.uk or simply complete the following:

A. Gross contribution

Contribution Rate Salary Gross Contribution
 % X £ p.a. = £ p.a.

Please note: Member contribution rates are set by the employer. The rate entered here should be that agreed by your organisation for new members of the Scheme.

B. National Insurance savings

Salary
(£ - Lower Earnings Limit*) X 0.016** = £ p.a.

* Please consult the Payroll or Personnel Team for the up-to-date figure (currently £5,304 p.a. for the 2011/12 tax year). If earnings exceed the Upper Accrual Point (£40,040*), then the maximum saving will be attained (£559.94 for 2011/12). **Please note: The Lower Earnings Limit changes each tax year.**

**Members currently pay 1.6% less in National Insurance contributions as a result of the Scheme being contracted-out. This figure may change from time to time.

C. Tax relief

Gross Contribution (see A) Employee's highest tax rate
£ X 20% or 40% = £

Please note: Someone who is only just into either the 20% or 40% tax band will only get tax relief at 20% or 40% on part of their contributions. Income tax rates may change in the future. Please contact your Payroll Team for up-to-date rates.

D. Net cost

Amount to deduct from employee's pay is:

A
£ ÷ 12 = £ per month

But net cost to employee is:

A B C D
(£ - £ - £) ÷ 12 = £ per month

Example

A. Gross contribution

Contribution Rate 6% x £15,000 = £900 p.a.

B. National Insurance savings

£15,000 - £5,304 x 0.016 = £159.30 p.a.

C. Tax relief

Gross Contribution £900 x 20% = £180

D. Net cost

Amount to deduct from employee's pay is:
£900 ÷ 12 = £75 per month

But net cost to employee is:

(£900 - £155.14 - £180) ÷ 12 = £47.07 per month

11. Miscellaneous

Employer's obligations

The employer has a duty under the Trust Deed to advise The Pensions Trust immediately should the employer go into liquidation, receivership or administration or become bankrupt. If any other event occurs relating to the employer which may be of material significance to the Trustee or their advisers, The Pensions Trust must be notified. If you are unsure whether to notify us of a particular event you should check with your Account Manager at The Pensions Trust (see 'Customer Relations Team').

Trustee's insurance

In order to provide some protection for the Trustee against inadvertent regulatory failures for which the Trustee and the SHPS Pensions Committee are responsible, every participating employer is required to pay a small premium, which is currently approximately £20 every three years. You will be advised when payment is due.

Benefit statements

Benefit statements will be issued annually, directly to active and deferred members, showing their accumulated benefits and projected amounts at retirement.

Scheme literature

Copies of the latest documents and forms can be printed directly from the SHPS or The Pensions Trust's websites at:

www.shps.org.uk > Document Library > Employer and/or Employee Literature **OR**
www.thepensiontrust.org.uk > Document Library > Scheme Literature > Social Housing Pension Scheme > Employer and/or Employee Literature.

Should you require paper copies please telephone us direct on 0845 608 5252 or email us at enquiries@thepensiontrust.org.uk.

In all other circumstances please write to your regular contact at

The Pensions Trust - SHPS

Verity House

6 Canal Wharf

Leeds

LS11 5BQ

12. The SHPS Team

Operational Team

For queries regarding enrolments (new joiners), salary updates, contribution processing and annual benefit statements contact:

Telephone: 0113 394 2894

Email: contributions@thepensiontrust.org.uk

Pensions Administration Teams

For any other queries contact:

Member Process Team

Dedicated helpdesk telephone: 0845 608 5252 (local rate)

Email: enquiries@thepensiontrust.org.uk

Mr Matthew Doggett - Pensions Administration (Hybrid) Manager

matthew.doggett@thepensiontrust.org.uk

Customer Relations Team

The Account Managers for SHPS at The Pensions Trust can be contacted on:

Telephone: 0113 394 2576

Email: enquiries@thepensiontrust.org.uk



Notes

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Administered by
The Pensions Trust

Verity House, 6 Canal Wharf, Leeds LS11 5BQ
tel: 0845 608 5252 fax: 0113 234 5598

email: enquiries@thepensionstrust.org.uk
or visit www.thepensionstrust.org.uk
www.shps.org.uk