

Scottish Housing Associations' Pension Scheme

Member Annual Review 2016

Chair's Statement

Welcome to the 2016 Annual Report. This report provides you with a summary of the funding and investment performance of SHAPS Defined Benefit (DB) sections of SHAPS (the Scheme) for the year ended 30 September 2016, and the work undertaken by the Committee.

Firstly I would like to reiterate our appreciation of the work of Christine Murphy following her untimely death last July. Christine was a major figure in the social housing movement for over 30 years and left a huge void, not only in our Committee but for all her colleagues and friends at Elderpark and beyond.

I welcome our new Committee members, Bill Darroch, formerly Almond Housing Association, Christopher Forrest, Yoker Housing Association and Tom Jessop, Atrium Homes who joined the Committee during 2016. During the year Linda Banks, Fiona Nicholl and Sean O'Driscoll stood down and I thank them for their time, expertise and commitment to SHAPS throughout the years.

Looking back over the year, concluding the Scheme's three-yearly actuarial valuation at 30 September 2015 was the Committee's primary focus. The results produced a significant improvement in the funding level, from 56% to 76% and a reduction in the deficit from £304m to £198m. Changes to your future service contribution rates, and the amount payable by the employers in respect of the Scheme's deficit, came into payment from 1 April 2017.

We have received the annual funding update, SHAPS 'health check' as at 30 September 2016. The funding update indicates a further improvement in the funding level to 79% however as both the assets and liabilities rose the deficit itself increased to £210m. As this is a 'health check' no action has been taken to amend the deficit recovery plan.

The Committee agreed to consider changes to the Scheme's normal retirement age, 65, for future service. It received advice on the impact on the contribution rates of moving to a number of higher retirement ages. SHAPS already provides a wide range of benefit options and as the savings to

the contribution rates were not significant, the Committee decided not to change the retirement age at present.

TPT has introduced DB Online where you can request information, access, and make changes to your DB membership. You can also sign up to BenPal to access your defined contribution (DC) membership. I encourage you to register for online access to your pension records. Links are available on www.shaps.org.uk.

Pension scamming activity is on the increase. I urge you to be vigilant when considering any action with your pension. Please take time to read the tips included in the Pension Scam article to protect yourself and your family.

Looking to the year ahead, the SHAPS governance structure will change from 1 October 2017. During May 2017, the Committee issued details of the proposals on the future governance structure to both the members and employers.

I will close by thanking the members, employers and TPT officers for their support to SHAPS. I also thank my fellow committee members for dedicating their time and expertise to SHAPS.



Ken Tudhope

Chair, SHAPS Pensions Committee

Scheme Funding

The Scheme's three-yearly valuation was carried out on 30 September 2015. The valuation checks that the Scheme is on track to pay out the benefits promised to its members. In the years between the valuations, SHAPS is required to complete an annual funding update.

The Scheme Actuary calculates the funding position on two different bases: the ongoing "technical provisions" (TP) basis, and the "solvency" basis.

The TP basis calculates the level of assets that would be required today to enable SHAPS to pay out the benefits built up ("the liabilities") as they fall due without the need for extra cash contributions from the employers.

The solvency basis is a more conservative approach and assumes that all liabilities of the Scheme are secured through an insurance

company. This is seen by some as a desirable long-term target, but employers are not required to fund to the solvency level.

The 2016 update revealed a further improvement in the TP funding position since the 2015 valuation, from 76% funded to 79% funded, which is in line with the Actuary's expectation.

The Solvency position had also improved from 40% to 41% funded.

Scheme Investment

Over the year, the Scheme achieved an investment return of 28.4%, exceeding its investment manager benchmark return of 25.5%. This significant positive investment performance has helped to lessen the impact of rising pension liability values which have a direct impact on the Scheme's funding position detailed above.

The table sets out the actual return achieved for each asset class, compared against its benchmark.

Performance to 30 September 2016 (%p.a.)	Actual	Benchmark
Passive Global Equities	22.6	21.8
Global Target Return Fund	4.7	0.6
Distressed Debt	2.2	0.6
Absolute Return	4.9	0.6
Emerging Market Debt	17.0	16.8
Insurance Linked Securities	22.7	0.6
Fund of Hedge Funds	-2.9	0.6
Inflation Linked Growth	8.1	12.9
Infrastructure	22.9	32.4
Property	7.3	3.3
Corporate Bond	14.4	15.5
Nominal LDI	43.7	44.9
Medium Real LDI	47.4	47.5
Long Real LDI	68.6	68.8
Total	28.4	25.5

Investment Strategy

Whilst there have been no major changes to the investment strategy over the last year we expect to continue with the Scheme's de-risking plan to reduce the level of risk and volatility that the Scheme is exposed to.

Since 30 September 2016, the Committee agreed specific de-risking triggers. The first stage was an immediate reduction in the Scheme's growth asset allocation from 70% to 65% which was completed by December 2016.

A further 2% reduction in the growth assets will occur for each 4% improvement in the Scheme's Solvency funding level. At 30 September 2016 the Solvency funding level had reached 41%. To stay on target, our

aim is to achieve the next trigger point (of 44% funding) by the next valuation date, 30 September 2018 and reduce the growth asset allocation to 63%.

The Committee also agreed to reduce the level of risk and volatility by increasing the Scheme's interest rate hedging; to hedge 100% of the Scheme's funded liabilities.

We continue to monitor the position of the Scheme to ensure our investment strategy remains appropriate and that any de-risking opportunities are considered.

Membership

The tables below show the DB membership. In the year to 30 September 2016, the number of active members reduced by 6% reflecting a continuing trend among employers to offer defined contribution (DC) pension arrangements to new and existing SHAPS members.

Membership	2014	2015	2016
Active members	1,661	3,077	2,917*
Deferred members	2,858	3,075	3,193
Pensioner members	2,363	2,529	2,603
Total	6,882	8,681	8,713
Employers	192**	154	154

*this includes 1,656 hybrid members, these are members who have built up final salary service and have maintained a link to their future salary. The 2015 figure also includes 1,584 hybrid members.

**this double counted employers offering both DB and DC.

At employer level, the number of employers offering final salary or CARE to their active members has reduced since the last count in January 2016. The table below shows the most recent statistics at 1 April 2017:

Benefit Category	Open to new members	Open to existing members
Final Salary	25	27
CARE 60th	6	1
CARE 70th	8	9
CARE 80th	12	2
CARE 120th	13	0
DC	124*	0

*this includes employers who joined SHAPS for DC only and those who offer DC for AVCs only.

SHAPS Pensions Committee Members as at 1 October 2016

Ken Tudhope, formerly Atrium Homes (Chair)

Bill Darroch, formerly Almond Housing Association

Christopher Forrest, Yoker Housing Association

Colin Gibson, formerly Hanover (Scotland) Housing Association

Duncan McNaught, formerly West of Scotland Housing Association

Fiona Nicholl, Ochil View Housing Association

Margaret Bradley, formerly North Glasgow Housing Association

Ron Watson, ARK Housing Association

Sally Inkster, formerly Orkney Housing Association

Tom Jessop, Atrium Homes

The Scheme Secretary is **Susan Wardlaw**, who is based at TPT's Edinburgh office.

Benefits of the Scheme

As a member of the defined benefit Scheme you benefit from the following:

- Tax relief on your pension contributions (up to HMRC limits);
- Retirement age of 65, with the option to take early retirement;
- A pension payable from retirement for the rest of your life;
- An immediate pension if you retire due to ill health (in defined circumstances);
- The option to exchange some pension for a tax-free cash lump sum on retirement - you may choose the amount (within limits) that best suits your needs;
- Annual pension increases;
- You may be able to take all or part of your pension whilst continuing to work and if you wish you can continue to accrue further pension benefits (conditions apply);
- Life assurance (of three times your pensionable earnings) if you die whilst contributing to the Scheme (not applicable after you withdraw from the Scheme);
- 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.

For more information please refer to 'A Guide for Members: Defined Benefit and CARE' at www.shaps.org.uk

TPT News

Pension scams

If you're thinking about doing something with your pension then before you go any further, read these tips to help protect yourself from being scammed.

- **Cold calls?** Hang up! Have you had texts, emails or cold calls from a company offering to review your pension? If so, then hang up and don't reply. Unsolicited calls about your pension are nearly always scams.
- **Unregulated investment opportunities** Investing in overseas ventures like hotels and vineyards, where the opportunity is only available for a limited time has the hallmarks of a scam. You may be pressurised into making a quick decision. Don't – take the time you need and make sure you check all the information out. If you make an unregulated investment there may be no way to get your money back.
- **Unregistered Financial Advisers** For someone to give you advice on your pension they need to be registered with the Financial Conduct Authority. Just because they have professional-looking brochures and website, doesn't mean they are authorised to give advice. Check them out before you make any decisions.
- **Recommended by a friend** Even if your friend says it's a great deal and worked for them, check the details out yourself, you don't want to get stung by not reading the small print.

How to check whether you're at risk of being scammed

- Check the investment opportunity on the FCA's scam smart list and find out what the risks are at scamsmart.fca.org.uk
- Check your financial adviser is registered to the FCA by visiting www.fca.org.uk/register

- The Pensions Advisory Service can answer any questions you may have about your pension and retirement choices. You can call **0300 123 1047** or visit www.pensionsadvisoryservice.org.uk
- Pension Wise offers help for you to investigate your retirement options, find out more at www.pensionwise.org.uk

Changes to TPT and SHAPS Governance structure

From October 2016 The Pensions Trust also became known as TPT Retirement Solutions (TPT), and Verity Trustees Limited, the Corporate Trustee Company of TPT, reduced the number of Directors from 12 to 9 of which three are elected by the members, three by the employers and three co-opted by the elected Directors).

Verity Trustees Ltd has carried out a review of the SHAPS Pensions Committee's governance structure and presented its proposal to the Committee in March 2017. The proposals aim to separate the Committee's dual role as trustee delegate and the body which represents the views of the employers.

You will have received details of the proposals and were asked to feedback your views by 6 July 2017.

TPT advances to second level of Master Trust Assurance Framework

TPT has completed the second level of The Pensions Regulator's Master Trust Assurance Framework.

In 2015 TPT was one of the first Master Trusts to pass the first level of checks on how well control procedures have been designed. Earlier in 2017, TPT became one of the first schemes to pass the voluntary level two checks.

In order to pass the second level, TPT passed 38 control procedures set out by the Institute of Chartered Accountants in England and Wales (ICAEW), which include safety and security of assets, assessing value, assessment of investment options, people and governance. TPT then had to demonstrate that the control procedures were achieved over the past year to successfully pass.

The Framework was developed by the ICAEW and The Pensions Regulator as a quality standard to enable master trusts to demonstrate high standards of scheme governance and administration.

DB Online

If you have defined benefits in the Scheme, have you registered for DB Online? It's your online account where you can keep your personal information and beneficiary details up-to-date, request quotations and much more.

If you're an active member, you can view your latest benefit statement, which shows:

- an estimate of how much you might get when you start taking your pension
- some helpful FAQs answering your questions on Scheme benefits
- details of who you have nominated to receive any benefits payable in the event of your death.

Visit <https://memberonline.tpt.org.uk> to register.

BenPal for Defined Contribution Members

Have you registered for BenPal? It's your online account where you can:

- keep your personal information and beneficiary details up-to-date
- view your up to date pension fund
- change the funds you invest your pension in
- look at the online calculator to see what you can expect when you retire and how increasing your contributions may improve this.

Visit www.benpal.com to register now.

Approaching retirement?

If you are a DC Member and you're coming up to retirement you will want to know all the options available to you. There are now more options available than ever before and TPT have recently introduced a dedicated Retirement Relationship Manager service. This gives you the opportunity to discuss the options available so you can make the right decision for you.

If you're interested in finding out more about this service then you can call **0800 280 2448**. There is no obligation for you to use this service.

You can also contact Pension Wise, a free and impartial government service for those who are approaching retirement. It helps scheme members understand their pension options.

For more information visit www.pensionwise.gov.uk or you can call **030 0330 1001** to book an appointment.

Thinking of transferring your pension scheme?

If you're thinking of transferring your benefits in the defined benefit section(s) of the Scheme to a scheme where they would not be held as defined benefits and the cash equivalent transfer value is more than £30,000, you are required to get regulated financial advice first.

The Trustees of the Scheme can't permit the transfer of benefits valued over £30,000 unless it has seen evidence, as required by law, that you have obtained appropriate independent advice provided by a regulated financial adviser with the required skills and understanding.

The adviser will look at all the options available to you and compare the potential benefits you would have in the new pension arrangement to the benefits you'll be giving up.

You usually have to pay for advice and the Money Advice Service has a retirement adviser directory you can use to draw up a shortlist. All the advisers and firms on the directory are regulated and will also show whether they have advisers who are qualified to deal with transfers from DB schemes.

You can find out more by visiting www.moneyadvice.service.org.uk

Personal online tax account

You can now set up a personal tax account, where you can check records and manage your details with HMRC. You can use the account to:

- check your Income Tax estimate and tax code
- fill in, send and view a personal tax return
- claim a tax refund
- check and manage your tax credits
- check your State Pension
- check or update your Marriage Allowance
- tell HMRC about a change of address

To sign up you'll need to have your National

Insurance number and a recent payslip or P60 with your tax details. You can find out more details by visiting www.gov.uk/personal-tax-account

We are listening...

Getting feedback from our customers is really important to us. We use your comments to make improvements in the areas and services that matter most to you.

Over the past 12 months we have been working hard across TPT to make enhancements to the service you receive and we hope you've noticed a difference. We'll be continuing to get feedback so we can continue to improve the services we deliver.

Because of the feedback you have given we have improved our website so you can find the information you need easily – including who to contact if you have a question.

We know that information about pensions can be complex, so we have been working across TPT to remove jargon in our communications and make it easy to see what you need to do next.

We get regular feedback from our members and employers and we would like to thank all those who have contributed so far. If in the future you are asked to complete a survey your thoughts will help us to make sure that we keep improving our service to you.

Fund Statement

For the year ended 30 September 2016

SHAPS is an integral part of The Pensions Trust. The Fund Statement, Net Assets Statement and accompanying notes summarise the transactions of the Scheme and its proportionate share of expenses, investment returns and investments.

The figures shown in the statement and notes have been extracted from the audited accounts

of The Pensions Trust, which were approved at a meeting of the Board of Directors of Verity Trustees Limited on 16 March 2017. The full Annual Report and Accounts of The Pensions Trust are available on TPT's website www.tpt.org.uk and SHAPS is available upon request.

	2016 £'000	2015 £'000
Contributions & benefits		
Contributions receivable	44,099	46,255
Transfers In	-	87
Life Assurance Income	2	-
	44,101	46,342
Benefits payable	(19,513)	(17,142)
Payments to leavers	(3,373)	(2,756)
Administrative expenses	(753)	(880)
Specific expenses	(250)	(188)
Pension Protection Fund	(88)	(60)
	(23,977)	(21,026)
Net additions from dealings with members	20,124	25,316
Returns on investments		
Investment income and gains	176,763	60,770
Investment management expenses	(2,044)	(2,021)
Net returns on investments	174,719	58,749
Net increase in the Fund during the year	194,843	84,065
Net assets of the Scheme		
At the beginning of the Scheme year	615,707	544,041
At the end of the Scheme year	810,550	628,106

Net Assets Statement

As at 30 September 2016

	2016 £'000	2015 £'000
Passive Global Equities	281,417	222,206
Global Target Return Fund	24,970	23,953
Liquidity Fund	-	40
Distressed Debt	3,769	3,690
Absolute Return	58,927	50,196
Emerging Market Debt	20,034	14,302
Insurance Linked Securities	14,394	11,591
Private Debt	5,000	-
Fund of Hedge Funds	24,658	27,395
Inflation Linked Growth	13,526	12,022
Infrastructure	12,398	10,149
Property	30,458	32,774
Corporate Bond	40,292	35,506
Nominal LDI QIF	25,785	17,904
Medium Real LDI QIF	18,653	12,766
Long Real LDI QIF	223,050	133,182
Annuity	3,567	3,217
Target Date Fund	-	11,921
Total investments	800,898	622,814
Fixed assets	570	600
Cash balances	2,363	2,111
Current assets	7,055	3,518
Current liabilities	(336)	(937)
Net assets at 30 September	810,550	628,106

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Retirement Solutions