

**[DD Month YY]**

If you wish to use this material as you consult with your employees or their appointed representatives about changes to SHPS, please amend and adapt this template as appropriate. Please use this in conjunction with the SHPS 2017 Valuation Summary and House Policies and Rules which is available on the Scheme website (www.shpsdb.org.uk).

**Social Housing Pension Scheme**

Consultation on defined benefit changes

Background

[Insert employer name] is a member of the Social Housing Pension Scheme (SHPS or the Scheme) and Verity Trustees Limited is the trustee of the Scheme (Trustee).

Within SHPS, [insert employer name] offers the following benefit options: delete as appropriate

|  |  |
| --- | --- |
| **Benefit option** | **Benefit Option status** |
| Final salary 60th | Open to all Open to specific members onlyClosed to new entrants |
| Final salary 70th | Open to all Open to specific members onlyClosed to new entrants |
| Final salary 80th  | Open to all Open to specific members onlyClosed to new entrants |
| CARE 60th | Open to all Open to specific members onlyClosed to new entrants |
| CARE 80th | Open to all Open to specific members onlyClosed to new entrants |
| CARE 120th | Open to all Open to specific members onlyClosed to new entrants |
| Defined Contribution  | Open to all Open to specific members onlyClosed to new entrants |

The latest valuation of the defined benefit (DB) options of the Scheme was undertaken at 30 September 2017. As a result the contribution rates in respect of future service have been reassessed and will increase with effect from 1 July 2019.

Employers, in consultation with their members, will decide how any increase to the future service contribution rates will be shared between the employer and the member. Where the employer has closed their DB options to new members the employer is responsible for paying the Closed Scheme Loading percentage that applies, this loading will not be shared with the members.

The future service contribution rate for the DB benefit option(s) being offered by [insert employer name] will increase as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Benefit** | **\*Final** **salary****60th** | **\*Final** **salary****70th** | **\*Final** **salary** **80th** | **\*CARE** **60th** | **\*CARE** **80th** | **\*CARE****120th** |
| Existing total contribution rates  | 20.6% | 17.7% | 15.5% | 16.7% | 12.6% | 8.6% |
| New total contribution rates from 1 July2019 | 27.2% | 23.4% | 20.5% | 22.1% | 16.7% | 11.3% |
| Employer Rate from \*1 July 2019 |  |  |  |  |  |  |
| Member Rate(s) from \*1 July 2019 |  |  |  |  |  |  |

\*Please update as required

(NOTE: table should be amended to fit employer’s position)

**Please delete the next section on age-related contribution** *if not applicable.*

Age related contributions

We will continue to use age-related contribution rates for the [insert benefit structure section] therefore the member contribution rates shown above will be amended as follows;

**Under age 29: Average rate LESS 1.6%**

**30-39: Average rate LESS 0.6%**

**40 and older: Average rate PLUS 0.4%**

For example if you are age 35 in the [insert benefit structure section] your contribution rate will be **x – y = %**

Your contribution rate will increase at the 1 April after you reach age 30 or 40.

Please delete the next section on reduced rate contributions if not applicable.

Reduced rate members

Prior to October 1997 a SHPS member could elect to give up their entitlement to a SHPS survivor’s pension payable on death and in return pay a reduced rate of contribution. Such members are referred to as ‘reduced rate members’. (Please note: this option only applies to those members who elected to become reduced rate members during the period it was available, between 1992 and October 1997). Reduced rate members can choose to switch to full rate contributions going forward but are not allowed to revert back to being a reduced rate member. It is a one-way switch. Reduced rate members who move to another DB structure retain their reduced rate status unless they chose to switch to the full rate.

Details of the current and revised member rate reductions are shown in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Benefit** | **60ths final salary** | **70ths final salary** | **80ths final salary** | **60ths CARE** | **80ths CARE** | **120ths CARE** |
| Revised reduction in member contribution rate from 1 July 2019 | 2.6% | 2.2% | 1.9% | 2.3% | 1.7% | 1.2% |

Why are we consulting?

Choose either:

A) Consultation on important changes to employees’ pensions is required by law because [insert employer name] has 50 or more employees/has had, on average, 50 or more employees over the last 12 months; or

B) We are doing this because our internal policies require us to consult over a change like this/we believe it is good practice to consult on important changes to employees’ pensions.

What are the proposed changes by **[insert employer name]**?

[Examples are shown below, you should select the option that applies to you or tailor to suit your own circumstances]

**Maintaining the existing DB option(s)**: [insert employer name] has considered the current benefit options being offered to staff and proposes to keep the current [insert benefit option] for [insert category of staff i.e. all current and future staff, existing staff etc]. Member contributions will increase from [xx]% to [xx]% of pensionable earnings from 1 July 2019.

**Introducing an alternative DB or defined contribution (DC) option:** [Insert employer name] has considered the increasing cost and risks attached in continuing to support [DB benefit option(s)] and proposes to offer [an alternative DB benefit option/the DC benefit option] from [date] for [insert category of staff i.e. all staff, new staff only etc].

**[If a change is being proposed then either]**(A)The move to this new benefit option will be in respect of pensionable service from [date] onwards; the benefits you have already accrued in the Scheme up to [day prior to the introduction of the new option] will be retained on their existing basis and this change only affects benefits accruing from [insert date].

[**Where employer proposes to close its Final Salary structure for future accrual:**] As [insert employer name] is requiring all active Final salary {insert}h members to move to the [insert] benefit option] the Final salary benefits (for those active members at the date of the change) will continue to be linked to Pensionable Earnings whilst they remain in the employment of [insert employer name] and continue as an active member in the Scheme i.e. you will cease to build up any further pensionable service under the Final salary benefit option but your benefits on leaving will be calculated based on your Pensionable Earnings at the date of leaving.

**Or**

(B)This [insert benefit option] will replace [current benefit option(s)] for [new employees or new members] from [date].

**[Where DC benefit option is proposed]** The DC benefit option means your benefits will be related to the pot of money built up for you. Your benefits at retirement will depend on:

• the contributions paid in;
• the charges taken out;
• how well the investments have performed;
• your age;
• your state of health at the time you retire; and
• the type of benefit you choose when you retire.

Details of the DC offering being provided by [insert employer name] are set out below:

Pensionable Earnings definition: [insert definition]
Employer contribution: [insert rate(s)]
Member contribution; [insert rate(s)]

We have included some Frequently Asked Questions (FAQs) at the end of this document.

Financial Advice

It is very important that you understand that neither the Trustee, [Insert employer name] nor any of its staff are authorised to give financial advice. Financial advice is regulated by the Financial Conduct Authority (FCA) and only appropriately qualified individuals may provide financial advice. Therefore, it is important that if you feel it necessary, you should take your own independent financial advice on the information contained within this document and the options that are open to you. You can find an adviser in your area at www.unbiased.co.uk. Please note that you would personally be responsible for any costs associated with obtaining such advice.

Next steps

Consultation runs from [DD Month YYYY] until [DD Month YYYY]. During this time you should study the information provided [insert what arrangements – if any – you will put in place for queries] and may direct questions and comments to [insert contact name]. This is an [insert employer name] decision however we will keep the Trustee informed during the consultation process.

Reply Forms should be submitted to [insert contact name] by the closing date of [DD Month YYYY].

[Insert employer name] will then consider the comments and feedback before making any a decision whether or not to offer the [insert benefit option] instead of [insert existing benefit option] from [date] and will provide further information if the proposal is to proceed. [Insert employer name] will notify the Trustee of the decision.

Frequently asked questions

**Please find below some other questions you may want to address, with some suggested responses:**

**What happens to the defined benefits I have earned so far?**

Suggested response:

The benefits you have already accrued in the Scheme up to [insert date] will be not be affected and this proposed change only affects benefits accruing from [insert date]. Please refer to the SHPS website www.shps.org.uk for further information.

**What will my [insert DB benefit option] pension contributions be?**

From [insert date] it is proposed that your monthly contribution rate will be X% of your pensionable earnings and [insert employer name] will pay Y%.

**What will my DC pension contributions be?**

Suggested response: depends on the Pensionable Earnings and contribution structure your organisation decides on. Examples include:

It is proposed that:

Your Pensionable Earnings will be insert definitions here (Please note the Scheme does not allow contributions based on Qualifying Earnings. The minimum allowable is basic pay).

From [insert date] your monthly contribution rate will be X% of your pensionable earnings and [insert employer name] will pay Y%. You can pay more if you want to but [insert employer name] will still pay Y%.

From [insert date] you can choose the percentage rate you want to pay and [insert employer name] will [match/double] this up to a maximum member contribution of X%. You can pay more than X% but [insert employer name] will not pay more than Y%. (examples will be helpful here).

From [insert date] your minimum member contribution will be X% and [insert employer name] will pay Y%. These rates will increase to meet legal requirements; we will consult with you nearer the time about this.

**What is the timescale for change?**

This consultation process commences on [insert date] and ends on [insert date].

[Insert employer name] proposes to increase the [insert benefit option] future service contribution rate from [insert date]. OR

[Insert employer name] proposes to change to the [insert benefit option] for [all staff/new members/new employees] from [date].

**Social Housing Pension Scheme (SHPS)**

Consultation reply form

[*Insert employer name*] wants to hear your views on the proposed changes to SHPS (the Scheme).

**Full Name:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Member Number:** M \_\_\_\_\_\_\_\_\_\_

**Location (if applicable)**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |
| --- |
| **Comments:** |
| **Please tick one of the following boxes:** |
| I am in favour of [insert details of the proposed changes]  |  |
| I will support whichever decision [insert employer name] makes. |  |
| I am not in favour of changing to [*insert proposed changes*]. |  |

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_/ \_\_\_\_\_/ \_\_\_\_\_

Please return this form to **[*insert contact name*]**, by no later than **[insert date]**, indicating your preference.