

SHPS valuation – Planning your next steps

We are still eagerly awaiting the results of the SHPS valuation. Although the full results are not out yet, it's well heralded that both deficit payments and contributions for future benefits will increase. This means that most employers will wish to take action. But what actions will be needed and what is a potential timeline?

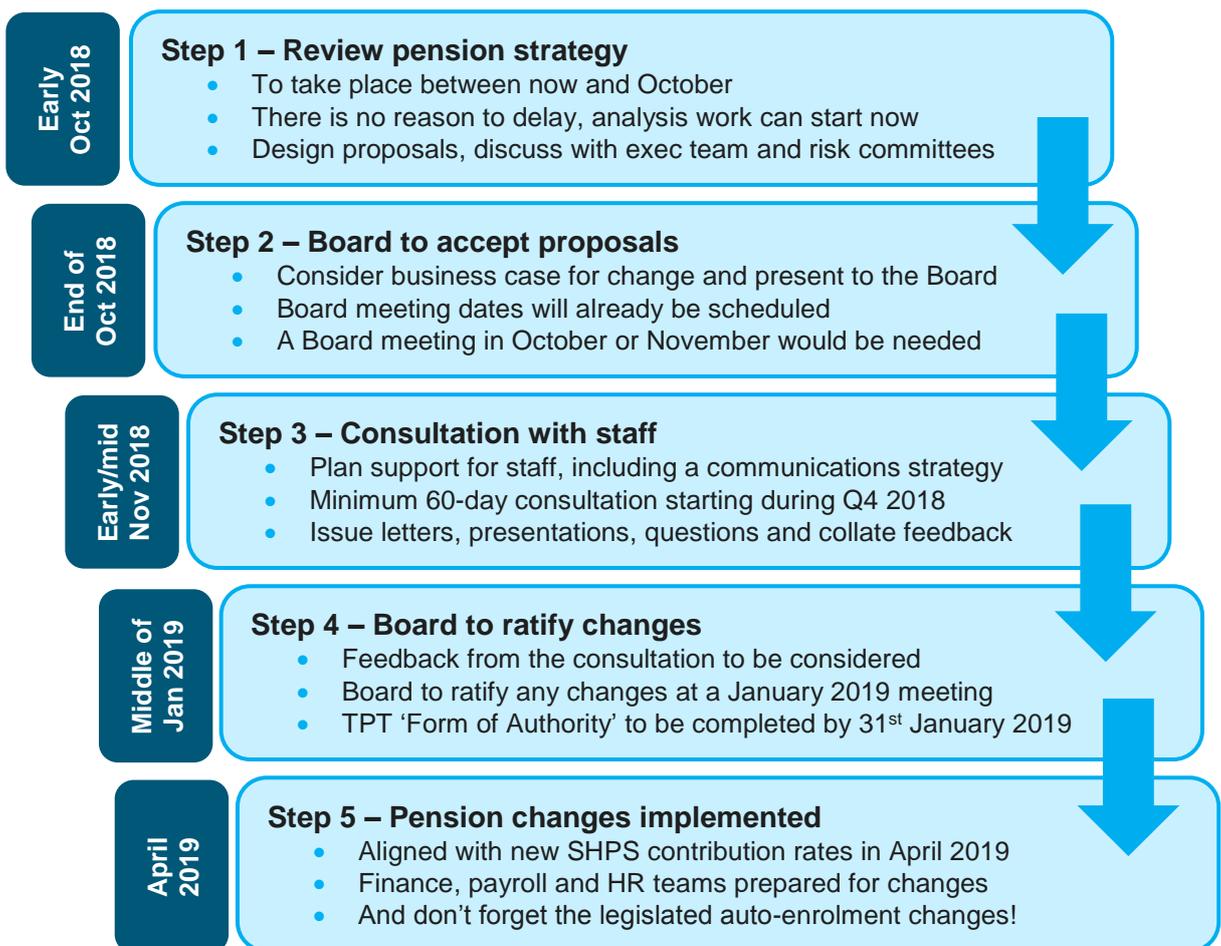
Where are we with the SHPS valuation timetable?

Employers were originally expecting to receive valuation results by July 2018 but the Scheme and Employer Committees have not yet reached agreement. It is now hoped that the results will be available in September (but further delays are still possible). SHPS are still saying that contribution increases will come into effect from 1st April 2019.

To introduce pension changes from April 2019, employers have limited time to act. Indeed, many employers would prefer that contribution changes are delayed beyond April 2019. If you feel strongly on this, the Employer Committee have stated that they are very keen to get the views of all employers on the outcome of the 2017 valuation – please send any comments to SHPSEmployerCommittee@tpt.org.uk.

5-step plan to make pension changes in April 2019

Assuming April 2019 remains the 'change date', the 5-step plan below shows that 'time is of the essence' if an employer wishes to change their pension structure by that time. Many of our clients have already started a review ahead of the results being released.



Do employers have to make changes in April 2019?

At previous valuations, 1st April has been the date chosen to implement both the change in future service contribution rates and deficit contributions. At this stage, TPT are indicating that 1st April will be chosen again even though the publication date for the valuation results has been delayed. If this remains the case, employers will need to complete the "Form of Authority" by 31st January 2019 to give TPT 60 days' notice of the change.

Although it's common for pension changes to coincide with the date of SHPS contribution changes, they can take place at any 1st of the month (as long as at least 60 days' notice is provided to TPT). For example, even if SHPS implement the changes on 1st April 2019 an employer could plan for a change in member benefits and/or contributions from 1st June 2019.

However, employers will then need to fund the extra cost for a short period until they can change member contribution rates and/or benefits (i.e. for the 2 months between 1st April and 1st June in the above example).

So, if April 2019 is too tight a timeframe to bring in changes, employers do have the option to absorb the contribution rate increases – perhaps just for a few months – taking more time to consider a pension review and implement changes at some later date. We would suggest it's more important to get this right than to rush a decision.

Points to consider when planning for the review

The results of this SHPS valuation mean that you need to plan your review carefully;

- Make allowance for your board meeting cycle; book in sufficient time for a 'pension item' at a board meeting during or after September 2018;
- If your board has not considered pensions for a while (or you have new board members) then consider running a training session before the meeting so that they have all the background information they need;
- Allow time for your executive management team and potentially audit and risk committees to also consider;
- Remember to consider all the options. Our June bulletin covered an example of a "risk sharing" design in SHPS. If the new recovery plan allocates deficit contributions by share of liability then some options to manage past service liabilities will become more attractive to employers.
- Consultation needs to be carefully planned so that it is meaningful and effective (legal advice may be needed if there are any contractual commitments being changed); and
- Allow time to consider feedback fully and potentially amend the proposals based on this feedback.

Need help with your SHPS strategy?

To discuss your SHPS pension strategy, or any other pension matters, please contact your usual First Actuarial consultant or any of our Housing Team.

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