



SHPS future service rates going through the roof!

Hot off the press from the SHPS employer forums taking place this month, this bulletin alerts housing associations to the alarming message that future service rates could increase by as much as 30% to 50% after the 2017 valuation.

Soaring future service rates

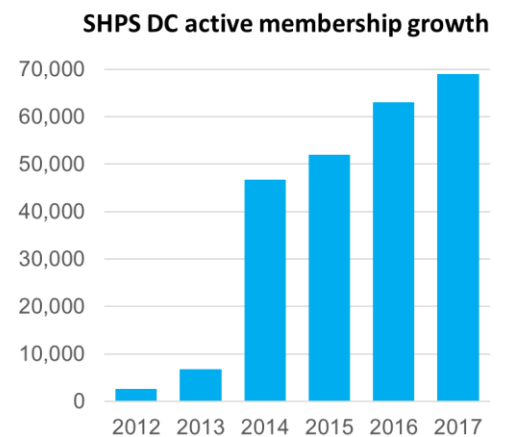
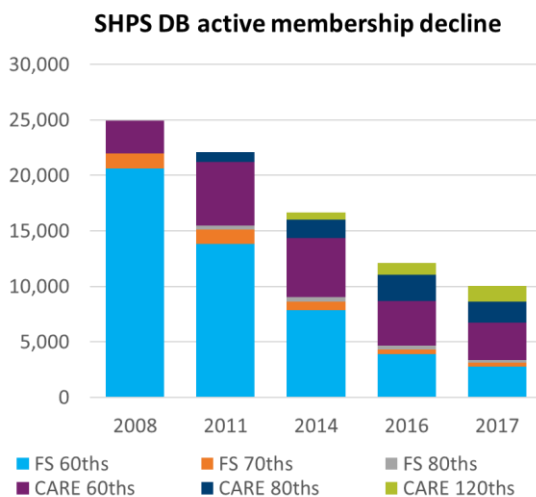
During the employer forums, SHPS announced some potentially alarming increases to the future service contribution rates across the defined benefit (DB) sections as follows:

DB section	Sept 2014 Valuation	Sept 2017 Valuation	Increase (as % of cost)	Increase (as % of salary)
Final Salary 60ths	20.6%	↑	30% - 50%	6% - 10%
Final Salary 70ths	17.7%	↑	30% - 50%	5% - 9%
Final Salary 80ths	15.5%	↑	30% - 50%	4% - 8%
CARE 60ths	16.7%	↑	30% - 50%	5% - 9%
CARE 80ths	12.6%	↑	30% - 50%	3% - 6%
CARE 120ths	8.6%	↑	30% - 50%	2% - 4%

Housing associations will have to decide whether to pass on some (or all) of these potential increases to staff when they come into effect in April 2019.

Declining active DB membership

The charts below show the declining active membership across the DB sections of SHPS over the last decade, relative to the increase in the membership of the defined contribution (DC) section that was introduced in 2011.

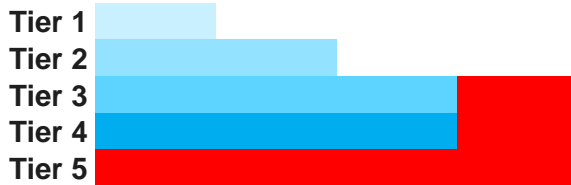


If the future service rates go up as announced at the employer forums, the trend from DB to DC is likely to intensify further.

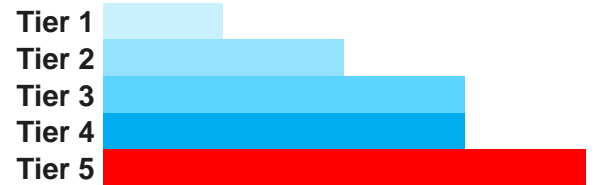
What about the deficit?

SHPS haven't confirmed the deficit at 30 September 2017 yet, or how it will be dealt with. Our [October 2017 bulletin](#) provided some possible outcomes, which included a possible new 'tier 5' of deficit contributions being introduced from April 2019.

Option A (new tier 5 + tiers 3 & 4 extended)



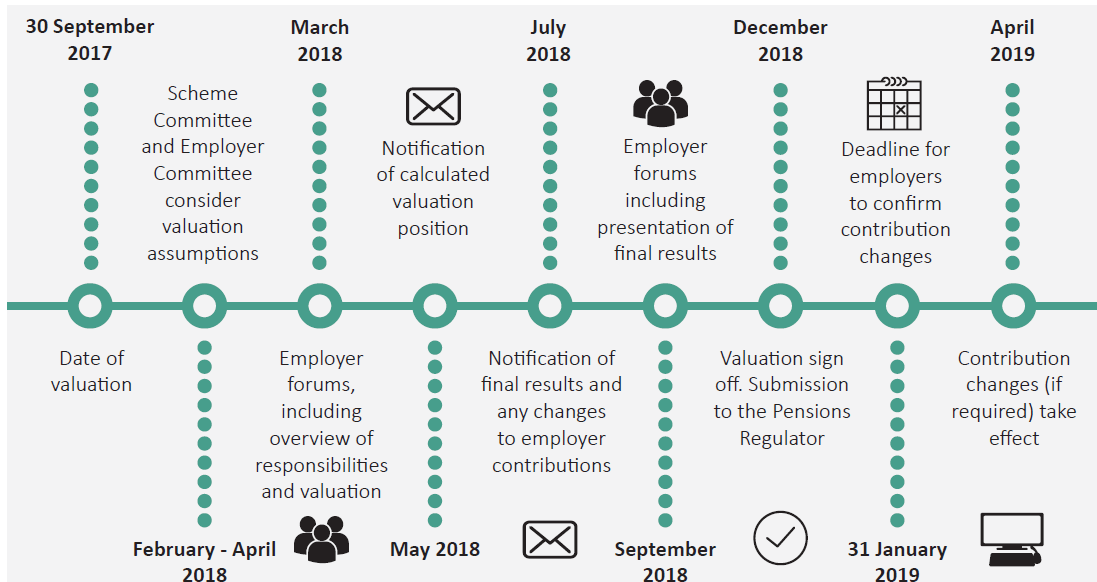
Option B (new longer tier 5)



These are just two of the possible options and considerable uncertainty still exists as to the size of the deficit and the impact on employers' contributions.

2017 valuation timetable

SHPS have confirmed they are still on target to notify the final results and any changes to employer contributions in July 2018. But to allow sufficient time for management and Boards to consider what to do about any increase in costs, formally consult any changes to staff, and notify SHPS by their deadline of 31 January 2019, you need to start planning now.



Would you like to discuss SHPS?

First Actuarial provides independent advice to more SHPS employers than any other firm. To discuss SHPS, contact your usual First Actuarial consultant or any of our Housing Team.

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