

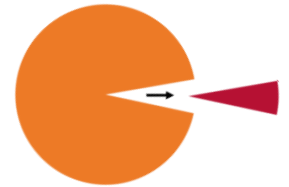
SHPS Bulk Transfers

Bulk transfers from the Social Housing Pension Scheme (SHPS), commonly occur as at 30 September – and 2019 was no different, with three of our clients completing a bulk transfer at this date.

Since Radian completed the first SHPS bulk transfer in 2012, 14 employers have now bulk transferred out of SHPS. We anticipate several more bulk transfers in the next couple of years.

A recap on SHPS bulk transfers

A bulk transfer means an employer moving its share of the assets and liabilities in SHPS to another pension arrangement. This typically means only transferring the defined benefit (DB) assets and liabilities but sometimes members' defined contribution (DC) retirement accounts are moved as well. An organisation's share of the assets in SHPS is now disclosed in its pension cost accounting disclosures.



The primary reason for a bulk transfer from SHPS remains increased control over the costs and risks associated with your organisation's DB pension promises.

More background information on bulk transfers was provided in our February 2018 bulletin:

<https://www.firstactuarial.co.uk/wp-content/uploads/2018/09/Housing-Briefing-February-2018.pdf>

Is there a rush for the exit?

No. Our view is that bulk transfers are normal corporate activity (and occur regularly in other sectors). However, in practice only a minority of SHPS employers will have the critical mass and circumstances that warrant a bulk transfer.

We expect less than 10% of SHPS employers will complete a bulk transfer and we have long argued that the SHPS Trustee should not be putting up any barriers in cases when there is clearly no detriment to remaining employers or members.

Features of bulk transfers

Each transfer has its own unique features. However, some approaches are more common. For example:

- More than 75% of transfers have been to a new scheme in TPT.
- More than 50% of transfers have been as at 30 September.
- Less than 50% of organisations who have transferred continue to use a TPT DC scheme.
- Less than 50% of the new schemes are still open to DB accrual.
- The majority of organisations have made an additional contribution to their new scheme shortly after the transfer to improve the funding position.
- It's too early to conclude how the investment strategies in the majority of new schemes are differing to SHPS (this is negotiated with the Trustee and depends on the liability profile, cash flow profile, objectives, contribution level, covenant strength and risk appetite in the new scheme).

What is the first step for considering a bulk transfer?

The typical first step is a feasibility report analysing the business case for a bulk transfer. A bulk transfer is a considerable undertaking and it's important to consider all the key issues at the outset.

SHPS bulk transfers are becoming more efficient. However, a well-run bulk transfer will still typically take 10-12 months – so organisations considering a transfer as at 30 September 2020 ideally need to make some significant progress by the end of 2019.

Round up of other news...

- **LGPS webinar** – a recording of our webinar is now available to watch at <https://bookings.firstactuarial.co.uk/>
- **Sector Risk Profile 2019** – the latest Sector Risk Profile was published on 15 October 2019. The best is saved to last with the wording around pensions on the last page. The advice from the Regulator remains the same; providers should be proactive in managing and monitoring pension risks. [Our firstwatch service](#) helps providers meet the Regulator's expectations.
- **Guidance from the Pensions Regulator: Multi-employer schemes and employer departures** – the Pensions Regulator has updated its guidance, which is aimed at trustees of all multi-employer DB schemes and their sponsoring employers to help them understand the different ways an employer can manage their liabilities to the scheme. The update provides information on the deferred debt arrangement option (introduced with effect from 6 April 2018) that some employers may wish to consider when considering how to manage their multi-employer scheme section 75 debt.
- **National Smaller Housing Associations' Conference and Exhibition** – we have a stand on both days at this year's conference on 6th and 7th November. Come and say hello!

How First Actuarial can help

First Actuarial provide independent advice to more SHPS employers than any other firm.

If you would like to discuss the areas explored in this bulletin, then please contact your usual First Actuarial consultant or any of the First Actuarial Housing Team.

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