

Housing briefing, July 2020

SHPS Day webinar – Outlook for the 2020 valuation

The next funding valuation of the Social Housing Pension Scheme (“SHPS”) has an effective date of 30 September 2020 and contributions are, once again, subject to review.

First Actuarial are holding a webinar at 11am on “SHPS Day” to guide you through the valuation process, how to be prepared and to discuss possible results.

The last SHPS valuation was carried out in the shadow of the UK’s decision to leave the European Union. This time we are still in the shadow of Brexit but also in the midst of a global pandemic.

Any issue which has an impact on financial markets will have an impact on pension scheme valuations.

Another live issue is the Pensions Regulator’s consultation on changes to its Defined Benefit funding code of practice. A key part of the proposals is a possible requirement for trustees to set long-term funding and investment objectives for when their scheme is significantly mature.

As a reminder, the 2017 valuation resulted in:

- Increases to future service costs for all Final Salary and CARE sections of SHPS.
- A higher deficit but no change to the end date of the recovery period, meaning significant increases to deficit payments.

Cut to the chase, what can we expect from the 2020 valuation?

At the time of writing, we are expecting more cost increases as a result of the 2020 actuarial valuation.

Our estimate is that the SHPS funding deficit is currently in excess of £1.5bn and therefore it would be prudent for employers to begin budgeting for further cost increases from 2022.

We are also expecting further increases to the future service benefit rates. These would follow the significant increases which came into effect in July 2019 following the last valuation.

In our webinar, First Actuarial will discuss the outlook for the 2020 SHPS valuation, the timetable for change and steps you can take to plan ahead.



To book your place, please visit:

<https://bookings.firstactuarial.co.uk>

Pensions training

We are strong believers in taking control and being as proactive as possible when it comes to pension strategy. We are already working with our clients to prepare themselves for the 2020 SHPS valuation by training relevant staff (executive directors, finance and HR teams) and board members.

If you are interesting in a training session, please contact either: [Dale Walmsley](#) or [Neal Thompson](#).

LGPS news Consultation on McCloud remedy

Just to be clear before we start, this is nothing to do with McCloud (the '70s police drama series) or Kevin McCloud (presenter of Channel 4's Grand Designs). This McCloud was a judge who felt that younger judges had been short-changed.

The "McCloud judgement" ruled that transitional protections implemented for older members of public service final salary schemes were age discriminatory. This applies to the unfunded schemes (for teachers, NHS workers, etc) and also the funded LGPS.

Government is committed to correct this across all the public services schemes. On 16 July 2020, the Ministry of Housing, Communities & Local Government ("MHCLG") [published a consultation](#) on proposed remedies for the LGPS to remove this age discrimination.

Protection in the LGPS was dealt with by an 'underpin' where a member would have a 'better of' calculation carried out at retirement to see whether the old final salary or new career average scheme provides the higher benefits.

The consultation sets out how the underpin can be extended to scheme members who did not qualify for protection. Also, that the underpin will cease to apply for anyone from April 2022.

LGPS employers may already have had some McCloud liabilities to deal with as part of their pensions accounting disclosures earlier in the year.

We can help you understand the impact of the McCloud remedy both in terms of potential costs at employer level and how it will may impact the benefits of your LGPS scheme members.

More LGPS news Consultation on survivor benefits

The [government has announced](#) that changes will be made to public service pension schemes to give the widower (or male surviving civil partner) of a female member the same survivor pension as a widow.

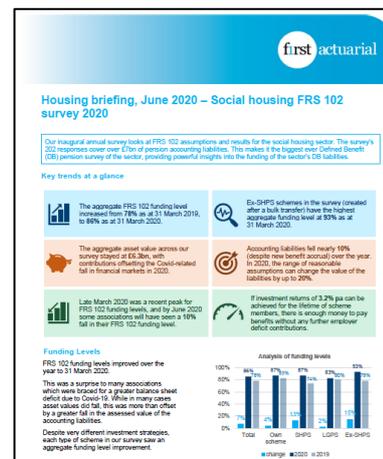
This change is needed because of the government's earlier decision to give all surviving same-sex civil partners or spouses the same survivor's pension as a widow. This has the potential to discriminate against the male survivors of female members.

Whilst the costs will be nowhere near McCloud levels, it's just another live issue to be aware of.

FRS 102 survey

Last month, we published the full results of our [inaugural annual survey](#) of FRS 102 assumptions and results across the social housing sector. The survey's responses covered over £7bn of pension accounting liabilities, making it the biggest ever Defined Benefit ("DB") pension survey of the sector.

If you would like a benchmarking report to understand how your FRS 102 assumptions and DB scheme funding compares to our survey, then please get in touch with one of the team.



How First Actuarial can help you

First Actuarial provides independent advice to more SHPS employers than any other firm. If you would like to discuss pensions with us, then please contact your usual First Actuarial consultant or any of our nationwide housing specialists.

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