

Housing briefing, November 2022

SHPS benefit review: Latest news and our views

There remains some uncertainty around the validity of historical SHPS changes, interpretation of those changes, and the administering of benefits.

This month, TPT is contacting current and former SHPS employers with draft court papers and an indication of additional liabilities for individual employers if the court rules against the Trustee.

This briefing provides an update on the SHPS benefit review and the views of the specialist housing team at First Actuarial.

Revisiting the background

Our [June 2022 briefing](#) and [July 2022 FAQs](#) explained why there are uncertainties around member benefits and employer liabilities, and answered initial questions on the SHPS benefit review.

One area of uncertainty relates to whether pension increases applying to benefits earned before December 2003 should have been linked to RPI inflation, rather than CPI inflation which has been used in practice.

However, other issues – which, in liability value terms, are worth around 50% of the inflationary question – are also important.

Some good news? SHPS liabilities are now lower

Initial correspondence identified that potential additional liabilities would amount to around 3.9% of total SHPS liabilities, or £233m using the value of liabilities on 30 September 2021.

A lot has changed in the last year or so, with schemes impacted by [turmoil in the gilt markets](#) and [rapid inflation](#). SHPS hedges both interest rates and inflation, so funding should have been largely protected (but without the material improvements seen in schemes such as LGPS).

Dates for the diary

TPT has arranged webinars, on 7 December and 26 January, for the Trustee's legal advisers to explain more about the court process and the draft legal documentation.

The deadline for employer comments on the draft court documents is 28 February 2023, with formal submission expected by mid-2023. The court case and judgment are likely to take place in late 2024.

Here are the latest views of our housing team:

- The Trustee continues to use its legal advisers to make the most employer-friendly argument (i.e. no change), which should provide some reassurance to employers.
- The SHPS Employer Committee (EC) is a well established group which seeks employers' views to best represent their interests.
- Employers' objectives will vary as each benefit review issue will impact individual employers differently. The SHPS EC will seek to represent all employers; any attempt to form other groups risks fragmenting the employer response.
- The potential liability impact can only be quantified from individual member data held by the Trustee and calculated by the Scheme Actuary.
- We are providing governance support for boards to understand the relevant issues and working with legal advisers to provide a 'light touch' review, taking care not to duplicate the efforts and costs of the Trustee and SHPS EC.

First Actuarial provides independent advice to more housing associations than any other firm. To discuss this briefing or any area of pensions, please contact your usual First Actuarial consultant or any of our nationwide housing specialists.

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