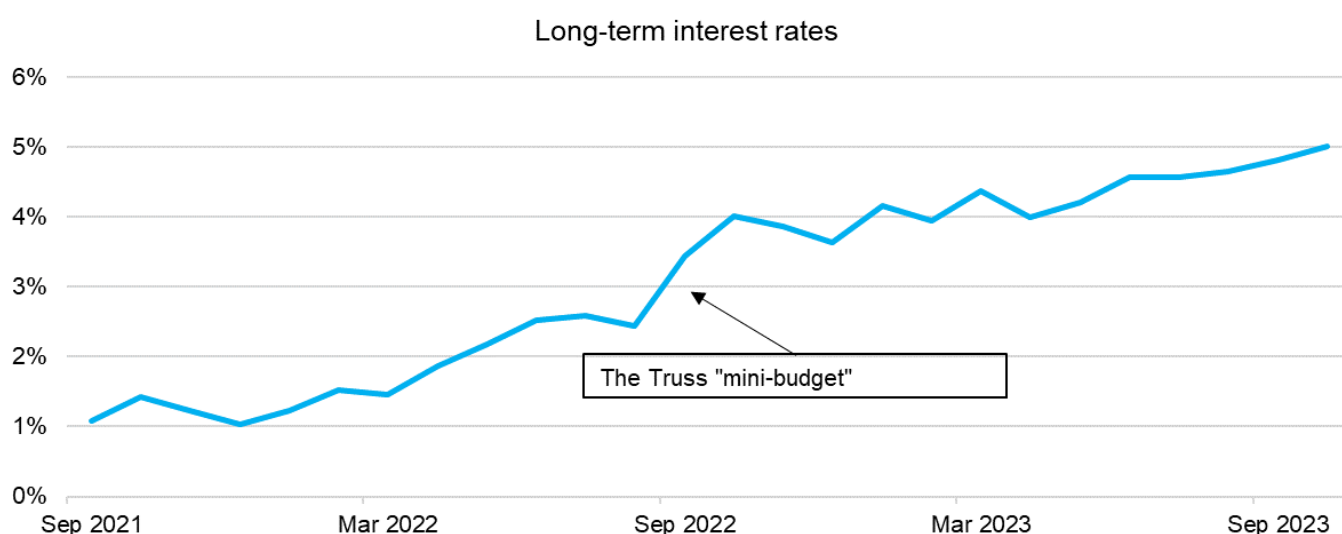


Housing briefing: Special SFHA edition

We're looking forward to talking all things pensions with SFHA members at SFHA's Finance Conference on 14 and 15 November 2023.

Why should I be thinking about pensions?

Since early 2022, interest rates have increased significantly. This has had a significant impact on both Defined Benefit (guaranteed income for life) and Defined Contribution (pension 'pot') pensions.



- **Defined Benefit (DB):** As interest rates rise, liability values fall. Schemes such as SHAPS and LGPS will have seen their liability values reduce significantly. Some schemes will have seen significant falls in asset values; others may have significant surpluses.
- **Defined Contribution (DC):** Savers close to retirement who are invested in government bonds will have seen their pot reduce in value. Other savers are likely to have seen smaller changes.

Local Government Pension Scheme Scotland (LGPS Scotland) 2023 valuation

The individual results of the 2023 valuations are imminent. While each fund has its own investment and funding strategy, we expect most employers to see a significant improvement in their funding position, and a reduction in contributions.

The exact impact will vary for each employer – depending on which fund your organisation is in, the membership profile, previous funding position and the extent of any guarantees.

We also expect to see a material improvement in the funding level on a cessation basis. In many cases, a sizeable exit debt may have turned into a more affordable figure (or even a cessation surplus). If you, as an employer, are considering leaving the LGPS, now could be an affordable time to do so.

We can help you to explore options around participation in LGPS Scotland, engagement with funding and investment strategies, and exit planning – and give independent advice on the financial and HR impact.

Scottish Housing Associations' Pension Scheme (SHAPS) 2024 valuation

The next funding valuation of SHAPS has an effective date of 30 September 2024, and once again, contributions will be subject to review and negotiation with the Employer Committee (advised by First Actuarial). Scheme-wide valuation results are expected in the first half of 2025, with individual employer results expected later in the year.

We can help you review your overall pension strategy ahead of the 2024 SHAPS valuation results to give you a clear understanding of your current pension costs, risks and challenges.

Have you had a DC pension health check?

There have been material changes in legislation over the last 12 months – from the removal of lifetime allowance charges to the extension of auto-enrolment. These changes make it more challenging to keep DC arrangements up to date. It's increasingly important for employers to optimise their schemes, reduce risks, and safeguard members' funds and savings.

First Actuarial is offering a *limited* number of free DC health checks to give employers peace of mind and demonstrate commitment to employees by reviewing:

- **Charges** – Can you reduce the deductions from employees' savings pots by eliminating scheme charges that don't deliver value?
- **Your pension provider** – Has your scheme kept pace with developments in the DC market?
- **Investment strategy** – Is your default investment strategy still fit for purpose?
- **Tax efficiency** – Are there ways to increase your employees' take-home pay?
- **Auto-enrolment compliance** – Are you at risk of a fine or penalty notice?
- **Retirement options** – Are employees aware of the full range of pension freedoms they can access?
- **Environmental, social and governance** – Do your scheme's policies align with the views of the organisation and its workforce?

To request your free and objective assessment please contact our DC team at enquire.dc@firstactuarial.co.uk.

2024 pension calendar

Q1: January to March 2024
<ul style="list-style-type: none">- LGPS Scotland: Engage with regional funds on employer contributions payable from 1 April 2024- SHAPS: Engage with and keep a watching brief on the 'benefit review' legal case- Tax: Affected individuals to submit tax returns with any Annual Allowance charges- Wellbeing: Engage with staff on pension choices ahead of April 2024- Accounting: Prepare for year-end FRS 102 disclosures and consider bespoke assumptions
Q2: April to June 2024
<ul style="list-style-type: none">- SHAPS: Engage with employer committee ahead of 2024 actuarial valuation- LGPS Scotland: Understand your position and review financial and legal issues related to exit- Tax: New Scottish Income Tax rates implemented from April 2024- Accounting: SHAPS FRS 102 tool available and other FRS 102 results issued- Wellbeing: Engage with senior staff on pension tax
Q3: July to September 2024
<ul style="list-style-type: none">- SHAPS: Effective date of 30 September 2024 for the next triennial actuarial valuation- Wellbeing: Pension Awareness Week – September 2024- Budget: Consider the impacts of any revisions in the 2024 to 2025 Autumn Budget
Quarter 4: October to December 2024
<ul style="list-style-type: none">- Governance: Review pension strategy, costs, risks and investment performance- General: Publication of the Scottish Housing Regulator's 'key risks focus'- SHAPS: Complete employer financial assessment