

Pensions for housing associations in Wales

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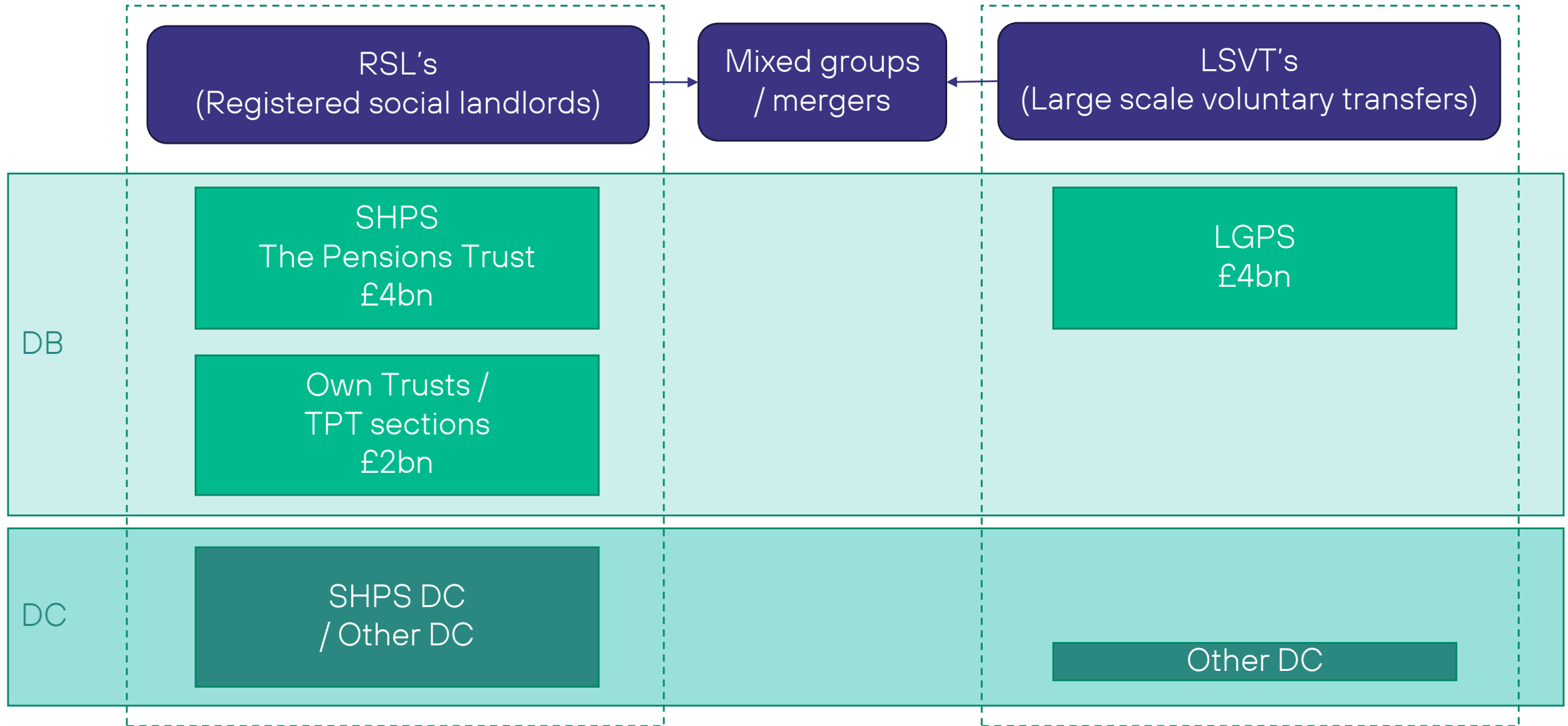


Overview

1. Sector pensions overview
2. Trust based funding and governance
3. LGPS
4. The future of pensions in the sector
5. Discussion

Sector pensions overview

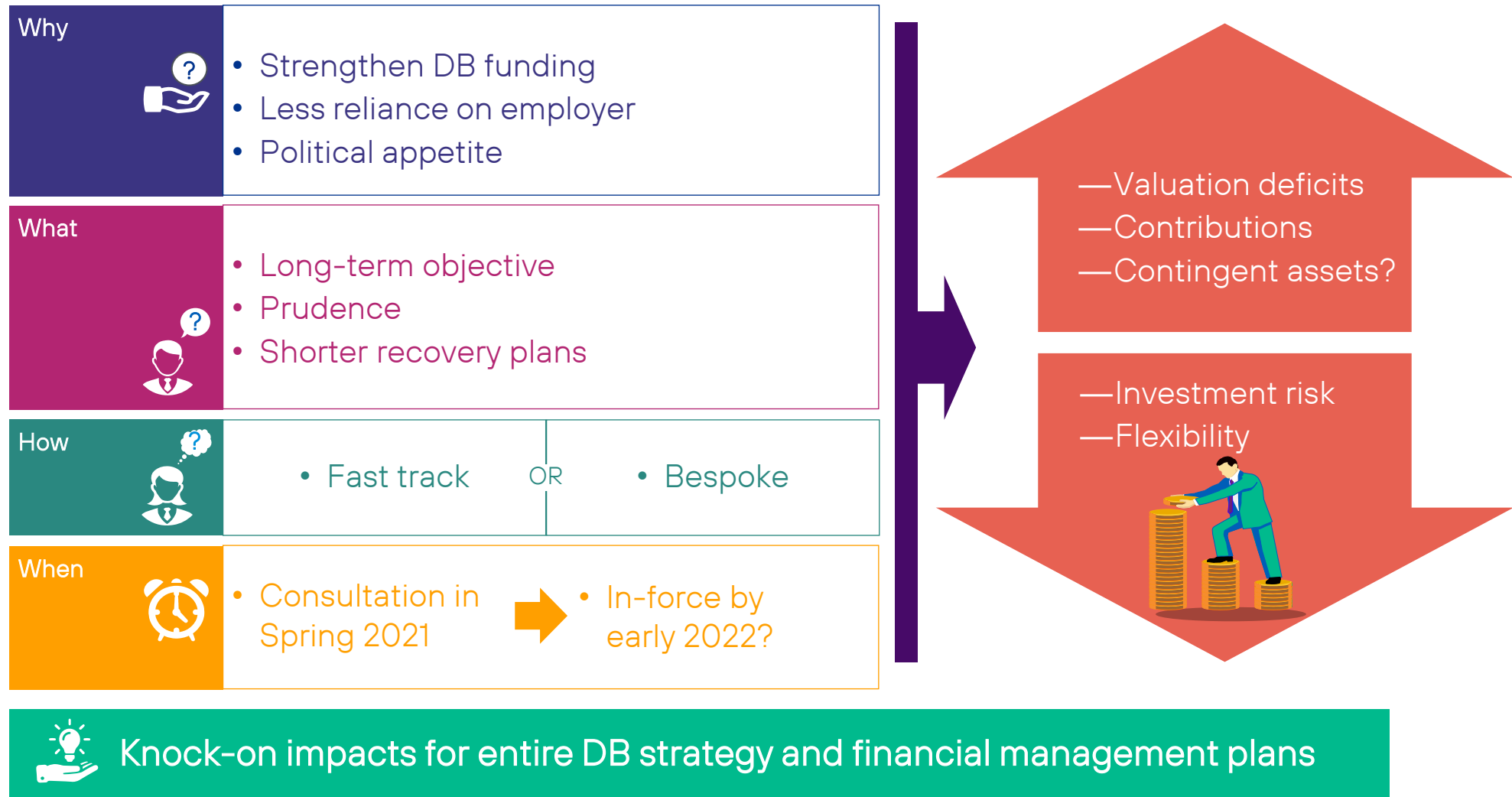
Sector pensions overview



Note: Asset levels quoted are estimated to indicate the broad level of magnitude. Based on Isio's current market understanding

Trust based funding and governance

The new Defined Benefit (DB) scheme funding code



The Pensions Regulator perspective

	Operating "Surplus"	Pension deficit contributions (% surplus)	IAS19 Funding Level	% "growth assets"
Social Housing Sector	c£3.5bn	c£150m (c4%)	c70%	>50%
FTSE 100 (as comparator)	c£225bn	£10bn (c4%)	100%+	<25%
			Area of regulatory focus	

Notes:

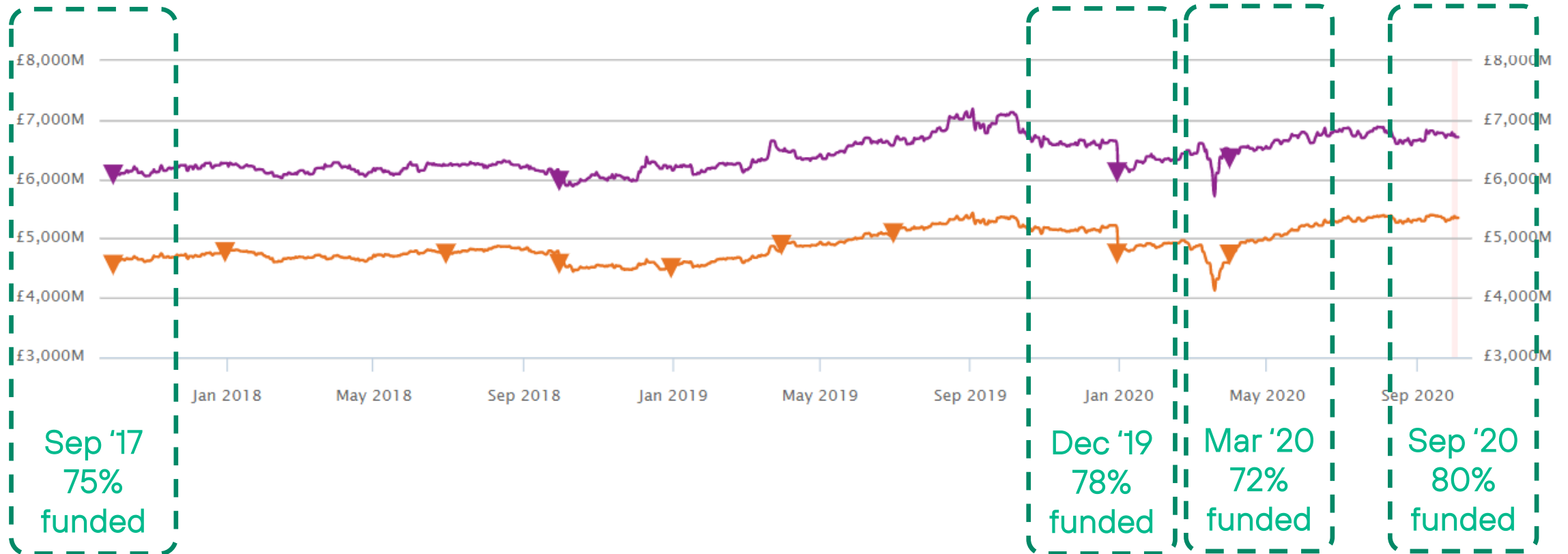
ISIO analysis (numbers rounded and approximate to show order of magnitude)

2019 Global Accounts of private registered providers prepared by the Regulator of Social Housing

Social Housing pensions schemes are generally of lower maturity which is rationale for some of the differences shown

Concede or Protect?

SHPS funding progression



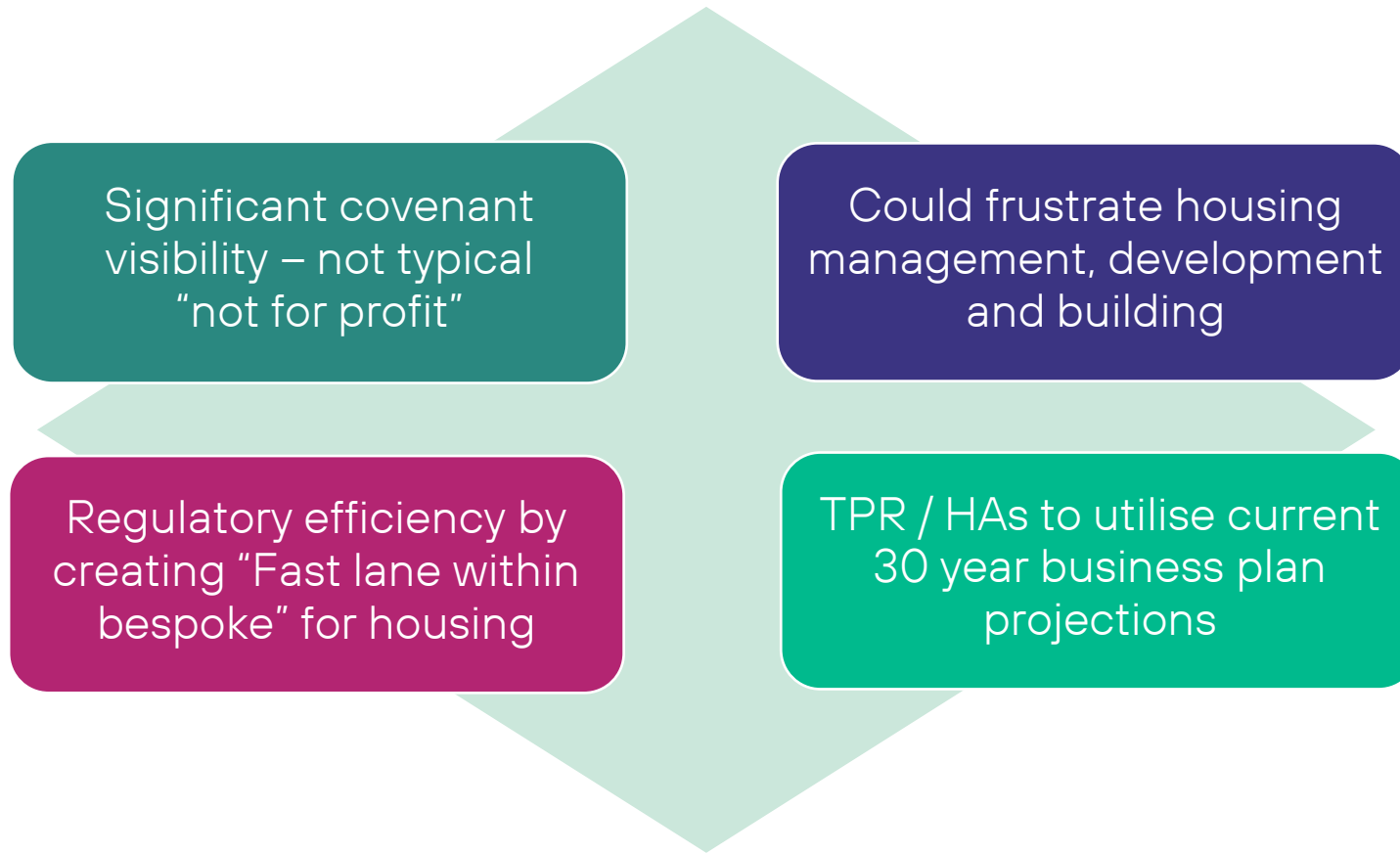
Source: Isio's Fusion tool

The current funding position of SHPS indicates an increase in deficit contributions of around 30% on a like for like basis

Valuation scenarios

Scenario	Funding level	Risk	Annual deficit contributions
Current funding agreement	75%	High	Status quo
Impact of market movements	80%	High	X 1.3
Impact of new funding code	65% - 70%	Medium	X 2 to 4
Financial restructuring *	80%	Low	X 0.5 to 1
*For example, Asset-Backed Funding (ABF)			Impact on cash

NHF's response on behalf of the sector – key themes



"Beyond this an All Party Parliamentary Group report released last year stated that 630,000 young people could be homeless by retirement age because their pension income will not be sufficient to pay for private rented properties. This was published before the current pandemic."

What can employers do?

Checklist to consider:

1. Business projections – incorporate revised SHPS contributions

2. “Finance/People/Governance” – weigh-up (or revisit) SHPS options

3. Risk register – embed SHPS risks into wider risk management

4. Member options exercises – consider feasibility

5. Review long term funding strategy, in or out of SHPS

6. Those with separate trusts or TPT sections – consider timing

LGPS update

LGPS

Employer flexibilities

McCloud judgement

£95k exit cap
(does not apply to HA's)

Tier 3 review

Section 13 review

More funding but with more employer flexibility?

Inclusive pensions

What is an inclusive pensions strategy?



The Employer challenge is.....

How do I deliver a savings model which increases engagement and meets the needs of a diverse workforce?

An inclusive pensions strategy is.....

A strategy that aims to deliver, within an agreed budget, a fairly distributed benefit to all groups of employees. "Benefit" in this case, can be considered to be a combination of the level, form, timing, accessibility and appreciation of the pension or alternative savings.

Discussion

Thank you

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