WILLIAMSBURGH

HOUSING ASSOCIATION

22. Retirement Benefit Obligations

Williamsburgh Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme (the "Scheme").

The Scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. The Scheme is funded. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate contracted in; and
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Williamsburgh Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate for existing members. Additionally, the Association has elected to introduce the DC option to staff from 1 July 2018. The Association will pay contributions at the rate of 10.45% of pensionable salaries and member contributions will be a minimum of 5%.

During the accounting period the Association paid DB contributions at the rate of 19.9% of pensionable salaries. Member contributions were 12.5%.

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

As at the Statement of Financial Position date there were 25 *(2021 - 30)* active members of the DB Scheme employed by the Association.

As at the Statement of Financial Position date there were 11 (*2021 - 4*) active members of the DC Scheme employed by the Association. This was opened to staff in July 2018 and staff members are automatically auto enrolled into this.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to 30 September 2022 for the majority of employers, although certain employers have different arrangements.

22. Retirement Benefit Obligations (continued)

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2018 are detailed below:

- Investment return pre retirement			3.12% per annum
- Investment return post retirement	-	Non-pensioners	3.12% per annum
- Investment return post retirement	-	Pensioners	3.12% per annum
- Rate of salary increases			3.35% per annum
- Rate of pension increases	-	pension accrued pre 6 April 2005	2.00% per annum
	-	pension accrued from 6 April 2005	1.70% per annum
	-	(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation			3.35% per annum

The SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome for which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before late 2024 at the earliest.

On 4 May 2022 the Scheme Trustee issued an update to employers which included an estimate of the potential total additional liabilities at the total scheme level, on a Technical Provisions basis. However, until Court directions are received, it is not possible to calculate the impact of this issue on an individual employer basis with any accuracy and therefore the potential impact is not reflected in the year end carrying value of the SHAPS pension schemes.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets	**13,100**	*12,298*
Present value of defined benefit obligation	**(13,159)**	*(13,723)*
Defined benefit liability to be recognised	**(59)**	*(1,425)*

22. Retirement Benefit Obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2022 £'000	*Year ended 31 March 2021 £'000*
Defined benefit obligation at start of period	**(13,723)**	*(10,839)*
Current service cost	**(331)**	*(221)*
Expenses	**(10)**	*(11)*
Interest expense	**(303)**	*(257)*
Contributions by plan participants	**(122)**	*(132)*
Actuarial gain/(losses) due to scheme experience	**7**	*(15)*
Actuarial losses due to changes in demographic assumptions	**(40)**	-
Actuarial gains/(losses) due to changes in financial assumptions	**1,182**	*(2,556)*
Benefits paid and expenses	**181**	*308*
Defined benefit liability at the end of the period	**(13,159)**	*(13,723)*

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2022 £'000	*Year ended 31 March 2021 £'000*
Fair value of plan assets at start of the period	**12,298**	*10,786*
Interest income	**274**	*260*
Experience on plan assets (excluding amounts included in interest income) - gain	**81**	*889*
Contributions by the employer	**506**	*539*
Contributions by plan participants	**122**	*132*
Benefits paid and expenses	**(181)**	*(308)*
Fair value of plan assets at end of period	**13,100**	*12,298*

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2022	*Year ended 31 March 2021*
	£'000	*£'000*
Current service cost	**331**	*221*
Admin expenses	**10**	*11*
Net interest expense	**29**	*(3)*
Defined benefit costs recognised in Statement of Comprehensive Income	**370**	*229*

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2022	*Year ended 31 March 2021*
	£'000	*£'000*
Experience on plan assets (excluding amounts included in net interest cost) - gain	**81**	*889*
Experience gains and losses arising on the plan liabilities – gain	**7**	*(15)*
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - losses	**(40)**	-
Effects of changes in the financial assumptions underlying the present Value of the defined benefit obligation – gain/(loss)	**1,182**	*(2,556)*
Total amount recognised in other comprehensive income – gain/ (loss)	**1,230**	*(1,682)*

Fund allocation for employer's calculated share of assets

	31 March 2022	*31 March 2021*
	£'000	*£'000*
Global Equity	**2,590**	*1,903*
Absolute Return	**601**	*606*
Distressed Opportunities	**470**	*420*
Credit Relative Value	**420**	*354*
Alternative Risk Premia	**541**	*493*
Index Linked All Stock Gilts	**3,170**	-
Emerging Markets Debt	**488**	*496*
Risk Sharing	**427**	*440*
Insurance-Linked Securities	**275**	*257*
Property	**339**	*220*
Infrastructure	**818**	*687*
Private Debt	**330**	*290*
Opportunistic Liquid Credit	**434**	*315*
High Yield	**127**	*322*
Opportunistic Credit	**46**	*336*
Cash	**36**	*4*
Corporate Bond Fund	**828**	*928*
Liquid Credit	**84**	*212*
Long Lease Property	**377**	*285*
Secured Income	**700**	*676*
Over 15 Year Gilts	**5**	*6*
Liability Driven Investment	**(48)**	*2,957*
Net Current Assets	**42**	*91*
Total Assets	**13,100**	*12,298*

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2022 % per annum
Discount rate	**2.79**
Inflation (RPI)	**3.54**
Inflation (CPI)	**3.17**
Salary growth	**4.17**
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2022	**21.6**
Female retiring in 2022	**23.9**
Male retiring in 2042	**22.9**
Female retiring in 2042	**25.4**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	9	406	52
Females	20	701	48
Total	**29**	**1,107**	**49**

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	3	4	43
Females	1	-	61
Total	**4**	**4**	**48**

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	7	84	69
Females	8	66	65
Total	**15**	**150**	**67**

Employer debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2021. As of this date the estimated employer debt for the Association was £5,879,303 (2020 - £9,077,199).

GMP Equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS).

Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state.

Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men. Historically some defined benefit schemes had different retirement ages for men and women. Therefore, schemes are required to “equalise” pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.