

Scottish Housing Association Pension Scheme

# A Guide for Members

CARE and Final Salary Benefit Structures

# A Guide for Members

## Scottish Housing Associations' Pension Scheme (SHAPS)

SHAPS (the Scheme) has been designed to provide security for you during your retirement and for your dependants in the event of your death. This booklet provides information about the defined benefit (DB) structures of the Scheme. The Scheme has been designed in close consultation with TPT Retirement Solutions, which is the leading provider of pensions to the third sector. The main features of the Scheme are summarised on the following pages.

The Scheme has five DB benefit options which are as follows:

1. Final Salary with 1/60th accrual.
2. Career Average Revalued Earnings (CARE) with 1/60th accrual.
3. Career Average Revalued Earnings with 1/70th accrual.
4. Career Average Revalued Earnings with 1/80th accrual.
5. Career Average Revalued Earnings with 1/120th accrual.

For information about the defined contribution (DC) structure please refer to the SHAPS DC website [www.shapsdc.org.uk](http://www.shapsdc.org.uk)

Please contact the person who deals with pension matters in your organisation for details.

Some employers will give employees a choice of benefit options; if this is the case you may have to pay a higher, non-standard contribution rate if you choose a more expensive benefit option than your employer's 'default' benefit option. This will be explained to you if it applies in your organisation.

This booklet provides basic information about DB structures of the Scheme. It gives general guidance only, and you should not regard it as a complete or authoritative statement on the formal Trust Deed and Rules. It is provided to all new members and prospective members and consolidates and replaces previous Scheme booklets, announcements and disclosure leaflets.

If you have any general enquiries about joining the Scheme, you should contact the individual who deals with pension matters in your organisation. The Scheme is administered by TPT. Should you have any other queries or require further clarification or detailed information about your own benefits you should contact:

The Scottish Housing Associations' Pension Scheme  
TPT Retirement Solutions  
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Telephone: **0113 394 2552**  
Email: [enquiries@tpt.org.uk](mailto:enquiries@tpt.org.uk)  
Visit: [www.shaps.org.uk](http://www.shaps.org.uk) or [www.tpt.org.uk](http://www.tpt.org.uk)

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# Joining the Scheme

## Can I join the Scheme?

Yes, you can join the Scheme as long as you:

- work for an employer that participates in the Scheme;
- are aged between 16 and 74 (inclusive); and
- have completed any minimum period of service specified by your employer (this will never be more than 12 months after you started work).

You may have been automatically enrolled into the Scheme. Further details about auto-enrolment are provided in the answer to the next question below.

If you have not been automatically enrolled, check with your employer whether you can join the Scheme. If you are eligible to join the Scheme then you should ask your employer for an application form.

## What is auto-enrolment?

Prior to your employer becoming subject to auto-enrolment\* requirements, any of its employees can join the Scheme (subject to the Scheme's eligibility conditions, as shown above, and any conditions imposed by your employer). If you meet these conditions and wish to join, please ask your employer for an application form.

Once your employer becomes subject to auto-enrolment requirements, all its 'eligible workers' (see definition below) that are not already in a 'qualifying scheme' must be automatically enrolled into such a scheme. Your employer may have chosen one of the SHAPS benefit options, or an alternative scheme, for auto-enrolment purposes.

You will be assessed by your employer and if you meet the requirements of an eligible worker\*\* (also known as eligible jobholder) you will be automatically enrolled by your employer into its chosen scheme. If you are not an 'eligible worker', as defined below, it is unlikely that you will have been automatically enrolled. However, you may still be eligible to join the Scheme on request and should check with your employer if you wish to do so.

Your employer may also choose to adopt contractual enrolment. This means that even if you do not meet the criteria to be classed as an eligible worker, your employer may elect to automatically enrol all of its employees. If this is the case, then this should have been outlined by your employer in your contract of employment.

\*Auto-enrolment has been introduced by the Government, and as a result means 'eligible workers' are automatically enrolled into a qualifying workplace pension scheme. These schemes have to provide a minimum level of benefits.

### Example contribution rates

Pensionable earnings of £25,000	6.0%	8.9%	10.2%	11.9%	12.5%
Gross contributions	£1,500 a year or £125 a month	£2,225 a year or £185.42 a month	£2,550 a year or £212.50 a month	£2,975 a year or £247.92 a month	£3,125 a year or £260.42 a month
You will receive tax-relief at 20%* and save	£300 a year or £25 a month	£445 a year or £37.08 a month	£510 a year or £42.50 a month	£595 a year or £49.58 a month	£625 a year or £52.08 a month
The net cost to you will be	£1,200 a year or £100 a month	£1,780 a year or £148.33 a month	£2,040 a year or £170 a month	£2,380 a year or £198.33 a month	£2,500 a year or £208.33 a month

\*Subject to change. Those members in the higher tax bracket currently receive tax-relief at 40%.

\*\*An eligible worker is anyone who:

- is not already in a workplace pension; is aged 22 or over;
- is under State Pension Age;
- earns more than £10,000 a year\*\*\*; and
- works in the UK.

\*\*\*based on the 2016-17 and 2017-18 auto-enrolment earnings thresholds (which may change each April).

### When can I join?

You can join the Scheme when the above conditions are fulfilled. If you are not automatically enrolled and you do not ask to join the Scheme within one year of becoming eligible, you may be allowed to join at a later date, subject to the consent of your employer and the SHAPS Pensions Committee. This will be subject to a minimum of three months' service unbroken through illness and any other conditions that the SHAPS Pensions Committee may impose. These conditions also apply if you leave the Scheme, remain in the same employment (i.e. opt out) and ask to rejoin.

Note that if you are an eligible worker who has previously opted out of the Scheme then, by law, you will be automatically re-enrolled into the Scheme every three years. Where this is the case, the conditions as described in the previous paragraph will not apply. Further to this, if you are re-enrolled, then you will of course have the option to opt out again.

Every member is bound by the obligations of the formal Trust Deed and Rules and the Scheme Document.

## **How much do I pay?**

Contribution rates are reviewed by the Committee on the advice of the Actuary at least every three years.

Please see the appendix which has more information on the benefit structure of your membership for further information. Contributions are deducted from your gross pay (before any tax is deducted) by your employer. This is known as Net Pay arrangement. If you do not pay income tax, you will be unable to benefit from tax relief.

The table on page 5 provides examples of the gross and net cost of membership. The net cost is lower due to savings on tax.

You may, if you wish, pay extra contributions in order to boost your retirement benefits. These extra contributions are known as Additional Voluntary Contributions (AVCs) on page 16.

## **How much does my employer pay?**

Your employer pays the balance of the cost of the Scheme, which will vary from time to time.

## **Can I transfer previous benefits into the Scheme?**

No, the final salary and CARE sections of the Scheme do not accept transfers from members' previous pension arrangements.

## **Your contributions explained**

The amount you pay (your normal contributions) will be deducted by your employer. The total cost of funding the Scheme is shared between members and employers.

The actual cost to you is substantially reduced because you get tax-relief on your contributions.

## Leaving the Scheme

### What happens if I leave the Scheme?

If you leave the Scheme, this will normally be because you change jobs. You may also leave the Scheme and continue to work for your employer (also called opting out). In both cases you can choose to:

- have a deferred pension; or
- transfer your benefits to another pension arrangement; or
- take a refund of any contributions you may have paid to the Scheme, but only if you leave the Scheme with less than two years' qualifying service (see the explanation on page 8).

If you move from one participating Scheme employer to another and rejoin the Scheme within 30 days, then you have the option of unbroken membership. Alternatively, you may choose to re-enrol under a new Membership Number, for instance, if your new salary is lower and would reduce the value of benefits you have already built up.

This is a complex area and you may find it helpful to discuss this with the Scheme's Administration Team at TPT (contact details on page 2).

### Deferred pension

Your deferred pension is calculated according to which benefit option(s) you have been a member of. Please see the enclosed insert(s) applicable to your membership for further information.

For membership before April 2002, your deferred pension from the Scheme is payable from age 60 without any reduction for early payment.

For membership from April 2002, your pension will be actuarially reduced if it is taken before age 65 to reflect the fact that your benefits are paid earlier and for longer.

You may apply for early payment of your pension at any time from when you become eligible (see Retirement on page 9).

### How does my deferred pension increase?

The Guaranteed Minimum Pension (GMP) part of your pension is, where applicable, increased by statutory revaluation for each complete tax year until you retire. The revaluation rate is 3.5% for leavers from April 2017 and may change from time to time.

Any deferred pension in excess of the GMP will continue to increase each year prior to retirement by the lower of 5% or the rise in the Pensions in Deferment Index (see Definitions from page 26).

**Please note:** Those members whose membership ended before 1 October 1993 will receive fixed pension increases (in deferment and after retirement) of 5% per annum on any pension in excess of their GMP.

Please refer to page 15 for details of how your pension will increase once it is in payment.

## Transfer of your benefits

You may transfer your benefits to another pension arrangement (such as your new employer's pension scheme or to a personal or stakeholder pension plan) at any time after you leave the Scheme, but before you take your pension.

The transfer value is calculated as the best estimate of the cash lump sum that would need to be invested in the transferring scheme (i.e. SHAPS) in order to reproduce your benefits at retirement. A Statement of Entitlement to a guaranteed cash equivalent transfer value of your benefits will be provided on request at any time. If a second or subsequent Statement of Entitlement is requested within a 12 month period, additional charges will apply.

Following the changes introduced by the Government in the 2014 Budget, transfers from defined benefit schemes to defined contribution (money purchase) schemes, will continue to be allowed. However, since 6 April 2015, members have to receive independent financial advice before any transfer can proceed (unless the transfer value is less than £30,000). TPT will seek evidence that this advice has been received before proceeding with a transfer to a defined contribution arrangement.

## Refund of your contributions

You may take a refund of your own contributions to the Scheme (but not your employer's) plus interest (see Definitions), provided you have less than two years' qualifying service. Qualifying service includes your period of membership of this Scheme or other schemes of TPT, plus actual length of service in any previous scheme where you have transferred these benefits into this Scheme. If you have transferred benefits from a personal pension plan to the Scheme you cannot take a refund of your contributions. There are two deductions from the refund:

- tax will be deducted at a rate of 20% (or 50% on any refund amount in excess of £20,000); and
- with the exception of the CARE 120ths benefits option, an amount which will buy you back into the additional State Pension (known as State Second Pension) if you joined before 6 April 2016.

**Please note:** If interest is included with your refund, you will need to notify your tax office of the amount of interest you receive. This is because the law now requires that gross interest is paid. Your tax office will subsequently notify you of any tax charge applicable to this sum.



# Retirement

There is no longer the requirement to have left the employment to which the pension relates. With the exception of ill-health early retirement and Protected Pension Age (see Definitions) retirements, any reference to retirement in this booklet includes those members who choose to receive their pension benefits and continue working, as opposed to retiring in the more traditional sense (i.e. stopping work).

## When can I retire?

The Normal Pension Age (NPA) under the Scheme is 65. This is the age that will be used for normal funding purposes for Scheme benefits. If you retire after NPA, your pension could be greater – and if it starts before NPA, it could be smaller.

Whilst the information below explains when you can take your pension, the age at which you choose to retire is an employment issue, the timing of which you should discuss with your employer.

## What will I get?

The amount of your pension depends on which benefit option(s) you have been a member of. Please see the enclosed insert(s) applicable to your membership for further information. The longer you are a member of the Scheme, the larger your pension will be.

## Combining periods of membership

Periods of SHAPS membership which began before 1 April 2008 will be combined when your benefits are paid if this results in a higher pension. However, any periods of membership which began on or after 1 April 2008 cannot be combined with earlier periods of membership.

## Can I retire early?

Yes, you can take early retirement from age 55 even if you choose to continue working. You may take your pension benefits between ages 50 and 55 if you have a Protected Pension Age and have left the employment to which your membership relates, or at any age if you are retiring on grounds of ill-health (subject to approval). Your pension will usually be lower than at NPA because it will be reduced to allow for the fact that pensions paid early are expected to be paid for longer.

## Can I take a cash lump sum?

Yes, you can give up part of your pension and exchange it for a pension commencement lump sum (PCLS). This will leave you with a smaller pension, reduced according to your age.

The PCLS was previously known as your tax-free cash lump sum. However, it is now possible for a tax charge to apply, but only if your pension savings exceed the Lifetime Allowance (see Definitions).

The maximum cash lump sum available is 25% of the value of your pension benefits. Unfortunately, the calculation is not straightforward however, as an indicator, some examples of the cash lump sums available to individuals at age 65 are shown below. Please note: These figures are only provided as examples.

Taking a PCLS at retirement will leave you with a reduced pension. The table below shows comparisons between a full pension (Option 1) or a PCLS with a reduced pension (Option 2) for an individual aged 65.

Option 1	Option 2	
Full Pension	Maximum Cash Lump Sum	Reduced Pension
£5,000 per year	£22,843	£3,426 per year
£10,000 per year	£45,685	£6,853 per year
£15,000 per year	£68,528	£10,279 per year

### Pension choice

The Scheme provides for a survivor's pension to be payable in the event of your death. If you do not wish to provide for a survivor's pension, at retirement you will have the option of retaining the right to nominate someone in the future or taking an increased pension for yourself.

This option applies from 1 April 2002 only for those who were contributing members at that date or who joined on or after that date.

Details are provided to all members at retirement. A minimum pension must be paid to a legal spouse or civil partner for any Scheme membership (other than CARE 120ths section prior to 6 April 2016).

### Flexible retirement

In most cases members are able to take all or part of their pension whilst continuing to work and, should they wish to, accrue further pension benefits. Exceptions to this are ill-health retirements and those members with a 'Protected Pension Age' (see Definitions) who retire before age 55. This option is only available once in a 12-month period.

Enquiries in the first instance should be directed to the Scheme's Administration Team at TPT (contact details on page 2).

**Please note:** This should not be confused with the right to have your pre 1 April 2002 benefits paid with no reduction from age 60. This option is sometimes referred to as 'flexible retirement'.

### **Are there any other options?**

You can provide a higher level of pension for a dependent person by giving up part of your own pension at retirement. If you are interested in this option, you should request a quotation when you are nearing retirement.

### **Can I contribute after NPA?**

Yes, if your employer agrees to you continuing to work after age 65, you may continue to contribute to the Scheme up until your 75th birthday. You must take your pension by age 75, even if you continue to work.

When you retire the pension calculated as at your 65th birthday will be increased from age 65 to the date you draw your benefits, and added to the benefits you have built up since your 65th birthday.

Death benefits will continue to be provided on the same basis as they were before age 65.

If you are not contributing to the Scheme, or opt to stop contributing, when you reach your 65th birthday you may still choose to defer drawing your scheme benefits – for example if you are still working. If you do this, then your deferred pension will be increased from age 65 to the date you draw your benefits.

If you died before taking your pension but were over age 65, the death benefits will be calculated as if you had retired on the day before your death.

You will still have the option to take a cash lump sum if you choose to retire after age 65.

### **What happens if I am too ill to continue working?**

Provided there is satisfactory medical evidence that you are and will continue to be unable to work again in any capacity, your pension can be paid immediately regardless of your age. Guidance on eligibility is available on request.

Your ill-health pension will be calculated, as explained in the appendix(ices) applicable to your membership, for the period to your date of retirement, plus half the prospective pension from that date to age 65. There will be no reduction for early payment. The prospective pension is calculated using your final pensionable earnings (see Definitions).

If you retire early due to ill-health, you still have the option to take a cash lump sum.

The Committee reserves the right to request updated medical evidence on your state of health and has the discretion to reduce or suspend your pension if your eligibility changes.

You may also apply for early payment if you are too ill to continue working and have a deferred pension after leaving your employment or leaving the Scheme. In this case, if approved, your deferred pension will not be reduced for early payment.

If tax is due on the pension then it will be deducted under the PAYE system.

# Survivor's or dependant's benefits

## What benefits are payable if I die before retiring?

If you die before you retire while in employment and contributing to the Scheme, as required by your employer, the benefits are:

### Lump sum death benefit

- three times your pensionable earnings at the date of your death; and
- a refund of your own contributions, with interest.

### Survivor's pension

50% of the pension you would have received calculated using pension earned up to the date of your death, plus the prospective pension from that date to age 65. The prospective pension is calculated using your pensionable earnings at the date of your death.

### Children's pensions

12.5% of the pension you would have received, (as described under 'Survivor's pension'), would be paid to each of up to four dependent children.

## What if I die after leaving the Scheme?

If you die after leaving the Scheme but before you start receiving your pension the benefits are:

### Lump sum

A refund of your own contributions, with interest.

### Survivor's pension

50% of the pension you would have received, calculated on the value of your deferred pension at the date of your death.

### Children's pensions

12.5% of the pension you would have received, (as described under 'Survivor's pension'), would be paid to each of up to four dependent children.

## What happens when I die after retiring?

When you die after your pension has started the benefits are:

### Lump sum

If you die within five years of retiring, a lump sum death benefit is paid. The sum paid is equal to the unpaid balance of the five years' pension payments, at the rate applicable at the date of death.

### Survivor's pension

50% of your pension, (calculated on your full pension before you took any PCLS and including increases in your pension).

### Children's pensions

12.5% of your pension, (as described under 'Survivor's pension'), would be paid to each of up to four dependent children.

Members who joined the Scheme before 1 October 1991 and retire prior to age 65 will receive full life assurance cover of three times final earnings after the date of retirement to age 65. This benefit would replace the cash lump sum described on page 12.

### Important notes

- Because of the regulations governing schemes which were 'contracted-out' of the additional State Pension prior to April 2016, the spouse's/civil partner's GMP, or 'Reference Scheme' pension (for any member's service from 6 April 1997), must be paid to a legal spouse or civil partner, if you have one, at the date of your death.

**Please note:** The GMP payable to a widower or civil partner will be based on the GMP that the member accrued from 6 April 1988.

- Except for legal spouses and civil partners, it will be necessary for the Trustee to receive confirmation that the nominee for a pension is eligible at the date of the member's death.
- Children's pensions will be doubled if:
  - no partner's pension is paid; or
  - dependent children are orphans or become orphans.

### Nominations

- You must complete a Nomination Form or give your nominations to us in writing. Alternatively, your nomination can be updated via the DB Online system.

The Nomination Form is used to advise the Trustee of your wishes regarding the benefits payable in the event of your death.

- Separate nominations are required for cash lump sums and pensions (even if you have nominated the same person to receive both).
- You should ensure your nominations are kept up-to-date. If you wish to make any changes to a nomination or a nominee's address, please notify TPT in writing or via DB Online.

### Who gets what?

#### Lump sum

- you can nominate one or more persons or organisations;
- if you choose more than one you must state the percentage you want each person or organisation to receive; and
- you should not use the words 'Executor', 'Administrator', 'In Trust for' or 'Estate' for your nomination, but the proper names of persons or organisations.

## **Survivor's pension**

may be paid to:

- your spouse or civil partner; or
- a child who is dependent on you at the date of death due to physical or mental impairment (in this case the child would be paid the survivor's pension, but not the child's pension); or
- you may nominate a dependent child to receive the survivor's pension, but this would stop when he or she ceased to be treated as a 'Child' as described below. Please note: The child would receive the survivor's pension in place of the child's pension; or
- anyone who lives with you and shares living expenses; or
- anyone who is largely financially dependent on you.

## **Children's pension**

may be paid to:

- any child who is aged under 18; or
- any child below age 22 if in full-time education; or
- a child of any age who is dependent on you at the date of death due to physical or mental impairment, unless the child is already receiving a survivor's pension.

'Child' will have the meaning defined in the formal rules.

Children's pensions cease on reaching age 18 or 22 as described, unless the child is dependent on you at the date of death due to physical or mental impairment, when the pension can continue for the rest of that child's life.

## Your pension

### How will my pension be paid?

You will receive your first pension payment on the day of your retirement or by seven working days after receipt of appropriate forms. After this pensions are paid quarterly in advance, on the 6 January, April, July and October. They will be paid direct to your bank account, building society account or Giro account.

**Please note:** Your pension is a source of income which is subject to income tax. Any tax due will be deducted under the PAYE system.

### When will my pension increase?

Pension increases are applied on 6 April each year. Increases are based on the rise in the Pensions in Payment Index in the January of the same year, as detailed below.

### How does my pension increase?

The following increases apply to your own retirement pension, or your survivor's pension and children's pensions.

In some cases the State has different rules for GMP increases if your pension is paid overseas. Once in payment, your pension will increase as follows:

#### Before State Pension Age

- The whole of your pension will increase by the Limited Prices Index (LPI) (see Definitions).

#### After State Pension Age

- The GMP part of your pension (applicable for benefits earned between April 1988 and April 1997), if any, is guaranteed to increase each year by the rise in the Consumer Prices Index.
- Any pension in excess of this will increase by LPI.

It is the aim of the Scheme to ensure that pensions keep pace with inflation, if resources are available.

# Boosting your pension – Additional Voluntary Contributions (AVCs)

## Should I pay AVCs?

- There are various reasons for choosing to pay AVCs. These include:
- increasing the pension you will receive at Normal pension age (NPA) or
- to offset the reduction which is applied to pensions paid early; or
- to boost your pension in order to reduce the impact of previous breaks in employment or periods where you did not have access to a pension scheme; or
- to increase the amount of cash that you receive when your benefits are taken.

You should be aware that AVCs are extra provision for retirement; you will not be able to receive the benefit from your AVCs until you retire.

TPT cannot give financial advice and the decision to pay AVCs is your responsibility. You may wish to discuss this with an Independent Financial Adviser.

## How much can I pay?

You will receive full tax-relief on contributions to as many different tax-registered pension arrangements as you choose, provided that the total paid in each year does not exceed your annual earnings or the Annual Allowance (see Definitions).

As long as the total increase in your benefits in any one year does not exceed the Annual Allowance, you will receive tax-relief on up to 100% of your earnings. For example, if your normal contribution rate (to your main scheme) is 7.5%, this will give you scope to pay up to a further 92.5% of your earnings as tax-free AVCs.

If your contributions exceed 100% of your earnings in any tax year, tax on the excess, at your marginal rate, is payable through self-assessment.

## Who do I pay AVCs to?

You can pay them to TPT or pay additional contributions to an alternative pension provider of your choice. Your employer will offer one or more suitable arrangements for this purpose that are administered by TPT. Full details of the options available to you, and further information about AVCs, will be provided by TPT on request.

If you are a high earner, please also read the section on Annual Allowance.



### How do I pay AVCs?

Your AVCs to TPT will be deducted from your salary in the same way as your 'normal' contributions, gaining tax-relief immediately. They are usually a percentage of your salary and can be stopped, started, increased and decreased on request.

TPT can accept cash lump sum payments and AVCs instead of regular monthly payments. However, we can only accept these payments via your payroll department in the same way as we receive your main contributions.

Before making any payment you will need to complete an AVC Application form and hand it in to your payroll department.

### What do my AVCs buy?

Your AVC fund will be used to provide additional pension benefits on a money purchase basis. This means the amount of pension will depend on variable factors such as:

- how much you have paid in;
- the investment returns received; and
- the cost of pensions when you retire.

Because of these variables it is not feasible, before contributions commence, to project what level of pension might be expected.

After you start paying AVCs you will receive an annual statement which will include, where appropriate, a pension projection on stated assumptions.

The AVC pension is usually paid from the same date as your main scheme benefits.

### Can I take a cash lump sum from my AVC fund?

Since April 2015 members aged 55 and over have greater choice over how they access their pension savings, including AVCs. Members can now take all of their AVC pot as cash. 25% of the pot would be tax-free, with the remainder subject to their marginal income tax rate in that year.

Further information is available on the Money Advice Service's website [www.moneyadvice.org.uk](http://www.moneyadvice.org.uk)

### Financial guidance

The UK government recognises the importance of making good financial decisions and that information regarding retirement incomes is vital to ensuring your long term welfare. A free pensions guidance service, called Pension Wise, is available for members with defined contribution (money purchase) arrangements. This includes members with AVC funds, who are approaching retirement. This is separate to independent financial advice which is available. For further details go to [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk).

# What if...

## What if I work part-time?

Please see the enclosed insert(s) applicable to your membership for further information.

## What if I divorce?

The courts may order that your pension rights must be shared with your ex-spouse. Members should take appropriate legal advice. On the dissolution of a civil partnership, the same pension sharing rules as those used for divorce will apply. Please contact TPT if you require a transfer value for divorce purposes.

## What if I take maternity leave?

Provided that you are paid during maternity leave, you will:

- pay your normal rate of contributions but based on the pay you actually receive during maternity leave (your employer pays the shortfall); and
- your membership will continue, based on the salary you would be receiving if you were not on maternity leave.

Where you have statutory entitlements, benefits under the Scheme will be provided for 39 weeks.

If you are on maternity leave and your pay, including any statutory maternity pay, stops, your membership and any contributions will stop until you return to work. On your return you can pay the contributions missed during your unpaid leave to give you continuous membership, or you will receive reduced benefits at retirement.

**Please note:** Should you die during paid or unpaid maternity leave, the full range of death benefits will be paid based on your normal salary (not your maternity pay, if any).

## What if I take family leave?

In the Scheme rules family leave means leave that men or women are entitled to take by law – either paternity leave when a child is born or adopted, or parental leave to care for a child. If such leave is paid, the rules apply as for maternity leave. If unpaid, the rules apply as for any other temporary absence. Please note: The above applies to any periods of ‘additional paternity leave’ which may be granted to members in relation to babies born on or after 3 April 2011.

If you die whilst on family leave the full range of death benefits will be paid. These would be based on the rate of earnings you would have been receiving if you were not on family leave.

### **What if I am absent from work?**

If you are off work due to illness or other absence (as agreed by your employer) for up to 30 months, and are in receipt of full or reduced pay, you will pay contributions at your normal percentage rate on whatever pay you receive.

Therefore, if you receive full pay you will pay your usual (full-rate) contribution, but if your pay drops to half-rate the contribution deducted must also be reduced to half your normal amount. If your pay stops your contributions will stop.

When you return to work:

- If you choose to pay the contributions missed, your employer will also pay its contributions, and your membership will be re-instated.
- If contributions are paid at a different level from your normal rate, for example, on half-pay, your membership will be adjusted accordingly.
- If the contributions missed are not paid, your membership will be suspended for that period.
- If your absence is due to a 'lifestyle choice' and the absence exceeds six months, your employer may, at their discretion, pay their contributions.

If you die whilst on approved temporary absence, you will be treated as a contributing member and the full range of death benefits will be payable.

You will be treated as a leaver if you remain absent from work after 30 months. Your date of leaving will be the end of the 30 month period, or the date your contributions stopped if earlier.

# Further information

## The Committee

The Trustee delegates powers concerning Scheme benefits and the operation of the Scheme to the SHAPS Pensions Committee (the Committee). Committee members are elected by both employers and members of the Scheme.

The Committee consists of:

- five member-nominated representatives;
- five employer-nominated representatives; and
- up to three co-opted representatives.

The Committee decides what benefits the Scheme will offer and ensures that the Scheme is adequately funded.

Every two years elections are held for appointments to the Committee. Invitations to make nominations are issued at the appropriate time.

## Who looks after the Scheme?

The day-to-day administration is entrusted to TPT which has been administering pension schemes since 1946. TPT is directly answerable to its members - the employers who choose its pension schemes and the active members, pensioners and deferred members who belong to these schemes. TPT is not an insurance company.

## Scheme registration

The Scheme is a registered pension scheme for the purposes of Part 4 of the Finance Act 2004. The Pension Scheme tax Reference is 00281218RV.

## Are benefits restricted?

HM Revenue & Customs no longer impose limits on the pension benefits you can receive. However, if the value of your benefits from all tax-registered schemes exceeds the Lifetime Allowance, tax charges will apply to the excess. It should be noted that the Lifetime Allowance is only likely to affect those with very high earnings and/or significant pension benefits held elsewhere.

The Committee has taken the decision to retain an earnings cap from 6 April 2006, although this is no longer a legal requirement. This is the maximum amount of pay on which contributions will be deducted in any tax year. It is also the maximum figure which will be used when calculating pension benefits under the Scheme rules. The figure is £154,200 for the tax year 2017/18 and will be reviewed each year.

## The Trustee Company

The Scheme is governed by a Trustee Company called Verity Trustees Limited. Directors are non-executive, three nominated by members, three nominated by employers and up to three co-opted by the member nominated and employer nominated Directors. Investments are managed independently by external authorised fund managers. Investment performance is reviewed regularly by the Trust's Investment Committee.

## The State Pension

Prior to 6 April 2016 the State Pension was made up of two parts: the basic State Pension and the additional State Pension (this is also called the State Second Pension or SERPS).

If you were a member of a Defined Benefit structure of the Scheme (except CARE 120ths structure) prior to 6 April 2016, your employment was contracted out of the State Second Pension and as a result, you paid lower National Insurance contributions. This meant that you did not accrue the full State Second Pension during your period of membership to 6 April 2016.

From April 2016, there is a single tier State Pension for people reaching State Pension age on or after this date. This has replaced the basic and additional State Pension and also ends contracting out (of the additional State Pension) and the National Insurance rebate.

The amount of State Pension you receive after 6 April 2016 will take account of any time that you have been contracted-out and paid National Insurance at a lower rate.

To find out more about the State Pension visit [www.gov.uk/state-pension](http://www.gov.uk/state-pension)

## Contracting-out prior to April 2016

Between 6 April 1997 and 5 April 2016 a contracted-out scheme had to provide benefits for members which were broadly equivalent to, or better than, those that would have been provided under a 'Reference Scheme'. The requirement was for the benefits overall to be as good as those under this Reference Scheme, although there is no guarantee that every member's own benefits would pass that test.

For any period of membership between 6 April 1978 and 5 April 1997 a Guaranteed Minimum Pension (GMP) had to be provided for each member who was contracted out. The GMP is payable to women from age 60 and men from age 65, or the date of retirement, if later. At that age, the pension payable has to be at least as much as the GMP, which for the majority of members is usually the case. The main impact the GMP has on retirement pensions is the way that pension increases after it starts to be paid. Please refer to the section 'How does my pension increase?', earlier in this guide, for details of how the GMP affects the annual increase in your pension.

## Pension Tracing Service

Details of TPT (and all pension schemes) are held by the Pension Tracing Service and the address is:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: **0345 6002 537**  
Reference: 10170418

The purpose of this registration is to help individuals trace their pension rights.

## Rights, obligations and limitations

The rights and obligations of members of SHAPS are set out in the Trust Deed and Rules and the Scheme Document which are the formal documents of the Scheme.

This booklet is intended to provide a clear and simple explanation of the main benefits you are entitled to under the Scheme. If there is any conflict between the interpretation provided in this booklet and the formal Trust Deed and Rules, or the Scheme Document, the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules and Scheme Document are available from TPT.

Before making any financial commitment on the basis of any information provided, please contact TPT for final confirmation of the expected level of benefits. Staff will be pleased to provide any further information or assistance you may need.

TPT is not registered under the Financial Services and Markets Act to give financial advice. Any information that is provided to members or prospective members should therefore be taken to constitute information and **not be taken to constitute advice**. When providing information to members or prospective members, TPT takes care to provide an accurate service but the decision and choice remains the individual's for which TPT cannot be responsible.

## General Data Protection Regulation (GDPR)

For more detailed information on how we use and disclose personal information, the protections we apply, the legal basis for our use of personal information and your data protection rights under the General Data Protection Regulation, see our privacy notice at [www.tpt.org.uk/privacypolicy](http://www.tpt.org.uk/privacypolicy).

If you would like a copy of the privacy notice to be sent to you, please email [privacy@tpt.org.uk](mailto:privacy@tpt.org.uk) or call **0113 394 2779**.

## Annual Report & Financial Statements

Members receive a summarised version of TPT's Annual Report and Accounts each year, but are entitled to the full version on request. A copy can be viewed on TPT website at [www.tpt.org.uk](http://www.tpt.org.uk) under the 'About Us' section.

## SHAPS Annual Report

Members receive a copy of the SHAPS Annual Report each year. A copy can be reviewed on the Scheme's website at [www.shaps.org.uk](http://www.shaps.org.uk).

## Termination

SHAPS is a centralised scheme and is intended to provide long-term security for the benefit of its past, present and future members.

While the Committee intends to continue the Scheme indefinitely it reserves the right to amend or discontinue the whole, or any part of it, at any time.

However, no amendment will be made which will reduce the benefits you have built up to the date of the amendment.

If your employer decides to withdraw from the Scheme you will normally be entitled to benefits calculated as if you had left service, subject to the necessary contributions having been paid.

## The Pension Protection Fund (PPF)

The PPF is a fund designed to protect members' rights under company defined benefit (DB) pension schemes should the employer become insolvent.

The PPF is funded by a levy on company pension schemes that are potentially eligible to benefit from it. The levy on the Scheme will not result in a reduction to your pension.

Benefits payable under the PPF are, briefly, as follows:

- Your full pension if you have reached your scheme's NPA or you receive an ill-health pension (regardless of your age).
- 90% of the expected scheme pension for all other members, subject to a current (2017/18) maximum of £38,505.61 a year at age 65. This maximum figure is reduced actuarially for those under age 65.
- Widow/ers', civil partners' or survivors' pensions of 50% of the members' pensions
- Pension earned from 6 April 1997 will increase each year in line with the Pensions in Payment Index up to a maximum of 2.5%. Pension relating to membership before 6 April 1997 will not be increased under the PPF.

In general, benefits will be paid from the PPF, as opposed to your own scheme, when:

- Your employer becomes insolvent, or in circumstances where the Trustee or The Pensions Regulator consider this likely.
- The assets of the pension scheme are insufficient, i.e. there is not enough money to pay at least the level of pension described above.

The PPF will only assume responsibility for multi-employer schemes (such as SHAPS) if all the participating employers become insolvent, or if there is concern that all of the employers are unlikely to continue as going concerns.

# Complaints

If you have a problem or complaint in connection with your pension, we recommend that you initially discuss this with your usual contact at TPT. If they are unable to resolve the matter you may find it helpful to speak to the Pensions Administration (DB) Manager and/or the Head of Pensions Administration.

If your complaint cannot be resolved informally and you remain dissatisfied you may at any time follow the formal complaints procedure; this has two stages and is summarised below.

**Disputes – Formal Resolution** – If you remain dissatisfied, you may request (in writing) a formal resolution from the Head of Policy & Compliance. A decision should be provided within two months of your formal request.

**Appeal** – If you remain unhappy or disagree with the formal resolution from the Head of Policy & Compliance, within six months of the decision you have the right to appeal to the Trustee. The result of your appeal should be provided within two months of your request.

## The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with difficulties they have failed to resolve. The address is:

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB

Telephone: **0300 123 1047**  
Fax: **020 7592 7900**  
Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

## Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme where TPAS has not resolved the issue. The address is:

Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB

Telephone: **0207 630 2200**  
Fax: **020 7821 0065**  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)



## **The Pensions Regulator**

The Pensions Regulator is able to intervene in the Scheme administration where the Trustee, employers or professional advisers have failed in their duties.

The Pensions Regulator inherited all the previous powers held by Opra along with some new ones to give it wider scope. The address is:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Telephone: **0345 600 0707**

Fax: **0870 241 1144**

Email: **[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)**

# Definitions

## **Additional Voluntary Contributions (AVCs)**

Is the name given to any contributions you pay above your 'normal' contributions to the Scheme.

## **Annual Allowance**

The annual allowance is a limit to the total amount of contributions that can be paid to **defined contribution** pension schemes and the total amount of benefits that you can build up in **defined benefit** pension scheme each year, for tax relief purposes. The annual allowance is currently capped at £40,000 although a lower limit of £4,000 may apply for defined contribution pension savings if you have flexibly accessed defined contribution benefits, for example using drawdown or by taking an 'uncrystallised funds pension lump sum' (UFPLS). The annual allowance applies across all of the schemes you belong to, it's not a 'per scheme' limit and includes all of the contributions that you or your employer pay or anyone else who pays on your behalf.

## **Benefits**

Are the pensions and other payments made to members and their dependants on death, retirement and after leaving the Scheme.

## **The Committee**

Is SHAPS Pensions Committee. The Committee has responsibility for managing the Scheme. Please refer to page 20 for further information.

## **Deferred Pension**

Is the pension secured for you on leaving service and is payable on retirement.

## **Final Pensionable Earnings**

Is the yearly average of your earnings over the three years (or the period of Scheme service if less) ending at your date of retirement. This is increased in line with the increase in the Index in the year ending six months before retirement.

## **Guaranteed Minimum Pension (GMP)**

Is the part of your pension, or your legal spouse's or civil partner's pension, which represents the equivalent of the State Earnings Related Pension Scheme (SERPS), for membership before 6 April 1997. The Scheme pays a GMP to you or your legal spouse or civil partner during retirement, as part of the Scheme pension, to replace the State Earnings Related Pension.

## **Interest**

Means compound interest calculated annually on the amount of your contributions at the end of the preceding September. For refunds of contributions on death, interest only accrues up to the date of death.

### **Lifetime Allowance**

Each individual in the UK is allowed to accumulate pension benefits up to a value of £1.03 million without incurring any tax charge. This is known as the Lifetime Allowance.

Each year your Benefit Statement will show the value of the pension benefits you have accrued as a percentage of the current Lifetime Allowance. You must also take into account the value of any pension benefits you have from previous pension arrangements in estimating whether you have scope to pay AVCs without any danger of breaching the Lifetime Allowance.

If the Lifetime Allowance is exceeded, a tax charge of 55% will be levied on the excess fund if the benefits are taken as a cash lump sum. If the excess benefits are taken as pension then a tax charge of 25% will be levied, as well as the usual income tax payable on the pension instalments.

If you are concerned that your benefits from all sources may breach the Lifetime Allowance you should consult an Independent Financial Adviser as to your best course of action.

**Please note:** TPT and its representatives are not permitted to give financial advice.

### **Limited Prices Index (LPI)**

is a requirement under the Pensions Act 1995 to pay specified increases on pensions in payment. For pension accrued from 6 April 2005, LPI is defined as the rise in the Pensions in Payment Index, up to a maximum of 2.5%. For pension which was earned before 6 April 2005, LPI is the rise in the Pensions in Payment Index, up to a maximum of 5%.

### **Normal Pension Age (NPA)**

Is age 65 for Scheme benefits. Your employer may have agreed a different retirement age

### **Pensionable Earnings**

Is your basic salary or wage.

**Please note:** This can be the amount before any deduction for childcare vouchers at the discretion of your employer.

### **Pensionable Service**

Is your period of membership of the Scheme (in years and completed months) in the Final Salary 1/60th benefit option. It will include any additional pensionable service you may have been granted as a result of transferring the value of benefits from a previous pension arrangement into the Scheme.

### **Pensions in Deferment Index**

Retail Prices Index (RPI) is used to calculate the Pensions in Deferment Index.

### **Pensions in Payment Index**

Consumer Prices Index (CPI) is used to calculate the Pensions in Payment Index.

### **Protected Pension Age**

Members who joined the Scheme before 6 April 2006 will have a 'Protected Pension Age' of 50 from 6 April 2010. This will allow these members to retire from age 50, but if they retire before age 55 they will be required to leave the employment to which the pension relates.

### **Reference Scheme Test**

To contract-out between 6 April 1997 and 5 April 2016 the Scheme had to provide benefits at least equal to the Reference Scheme (as defined by legislation for contracting-out purposes).

### **The Scheme**

Is the Scottish Housing Associations' Pension Scheme (SHAPS).

### **SHAPS**

Means the Scottish Housing Associations' Pension Scheme.

**These definitions are provided as a summary. Please see the formal Trust Deed and Rules, as appropriate, for further clarification.**

### **Explore the Scheme's website.**

It is easy to use and has lots of helpful information, for employees including:

- Details of the benefits available.
- Forms and literature available to download.
- Online pension calculator.
- Contact Details.

**[www.shaps.org.uk](http://www.shaps.org.uk)**

# Appendix

CARE and Final Salary Benefit Structures

# CARE 1/60th Benefit Option

## What is Career Average Revalued Earnings (CARE) 1/60th?

CARE 1/60th is a defined benefit (DB) option in SHAPS (the Scheme). It provides benefits related to your earnings for each year you were a member of this benefit option in the Scheme. The examples below show benefits built up in the CARE 1/60th benefit option. Each year's pension is increased in line with price inflation up to a maximum of 5% in any one year.

**Table A – Example Data**

Year	Assumed Earnings	Pension (1/60th of earnings)	Assumed CPI Inflation
Year 1	£20,000	£333.33	n/a
Year 2	£21,800	£363.33	4.7%
Year 3	£23,500	£391.66	2.9%
Year 4	£25,000	£416.66	4.1%
Year 5	£26,400	£440.00	1.5%

**Table B – Revalued Pension**

Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£333.33	x 1.047	x 1.029	x 1.041	x 1.015	= £379.45
Year 2		£363.33	x 1.029	x 1.041	x 1.015	= £395.04
Year 3			£391.66	x 1.041	x 1.015	= £413.84
Year 4				£416.66	x 1.015	= £422.92
Year 5					£440.00	= £440.00
Total pension after the end of Year 5						£2,051.25

CARE benefit options in the Scheme provide a similar range of benefits to the Final Salary benefit option.

These include:

- Life cover. For active members, a death-in-service lump sum of 3 x salary.
- Survivors' pensions following your death.
- The option to exchange some pension for a cash sum at retirement.
- Normal Retirement Age of 65, with early retirement available from age 55.
- Enhanced terms if you have to retire due to ill-health.
- Tax relief on your pension contributions.

## How much does this benefit option cost?

Contribution rates are reviewed by the Committee on the advice of the Scheme Actuary at least every three years and a cost for each benefit option is calculated.

The cost of providing this benefit option for service from 1 April 2017 is 23.8%. This cost is split between the employers and the members as determined by the employer within set parameters.

**Please note:** Some employers will give employees a choice of benefit options; if this is the case you may have to pay a higher, non-standard contribution rate if you choose a more expensive option than your employer's 'default' benefit option. This will be explained to you if it applies in your organisation.

## Deferred pension

Please refer to the other benefit option inserts for details of how your benefits are calculated in respect of any period of membership contributing to those options.

Your deferred pension will continue to increase in value until it is paid to you. You may apply for early payment of your pension when you are eligible but this will be reduced to reflect the longer payment period.

## Calculation of pension

The calculation of your pension on leaving or retirement will depend on which benefit option(s) you have been a member of.

**Please note:** If you have transferred into the Scheme, the benefits secured by the transfer will be paid in addition to those below.

For your period of membership in this benefit option you will receive a pension of:

$1/60\text{th} \times \text{total revalued career earnings.}$

In practice TPT will calculate a pension of  $1/60\text{th}$  of your pensionable earnings each year.

The pension earned each year will then be increased by the rise in the Retail Prices Index (RPI), up to a maximum of 5%, that follows in each subsequent year before retirement. If RPI exceeds 5% it is the Scheme's objective to increase pensions in line with RPI, if sufficient resources are available.

- Revaluation under the rules is for complete years – from 1 April to 31 March.
- Pension earned from April to your retirement date in the year you retire, and in the one year up to that April, is not increased. This is because, under the rules, a year's inflation has to occur after each April before your benefit is increased.

# CARE 1/70th Benefit Option

## What is Career Average Revalued Earnings (CARE) 1/70th?

CARE 1/70th is a defined benefit (DB) option in SHAPS (the Scheme). It provides benefits related to your earnings for each year you were a member of this benefit option in the Scheme. The examples below show benefits built up in the CARE 1/70th benefit option. Each year's pension is increased in line with price inflation up to a maximum of 5% in any one year.

**Table A – Example Data**

Year	Assumed Earnings	Pension (1/70th of earnings)	Assumed CPI Inflation
Year 1	£20,000	£285.71	n/a
Year 2	£21,800	£311.43	4.7%
Year 3	£23,500	£335.71	2.9%
Year 4	£25,000	£357.14	4.1%
Year 5	£26,400	£377.14	1.5%

**Table B – Revalued Pension**

Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£285.71	x 1.047	x 1.029	x 1.041	x 1.015	= £325.25
Year 2		£311.43	x 1.029	x 1.041	x 1.015	= £338.60
Year 3			£335.71	x 1.041	x 1.015	= £354.72
Year 4				£357.14	x 1.015	= £362.50
Year 5					£377.14	= £377.14
Total pension after the end of Year 5						£1,758.21

CARE benefit options in the Scheme provide a similar range of benefits to the Final Salary benefit option.

These include:

- Life cover. For active members, a death-in-service lump sum of 3 x salary.
- Survivors' pensions following your death.
- The option to exchange some pension for a cash sum at retirement.
- Normal Retirement Age of 65, with early retirement available from age 55.
- Enhanced terms if you have to retire due to ill-health.
- Tax relief on your pension contributions.



## How much does this benefit option cost?

Contribution rates are reviewed by the Committee on the advice of the Scheme Actuary at least every three years and a cost for each benefit option is calculated.

The cost of providing this benefit option for service from 1 April 2017 is 20.4%. This cost is split between the employers and the members as determined by the employer within set parameters.

**Please note:** Some employers will give employees a choice of benefit options; if this is the case you may have to pay a higher, non-standard contribution rate if you choose a more expensive option than your employer's 'default' benefit option. This will be explained to you if it applies in your organisation.

## Deferred pension

Please refer to the other benefit option inserts for details of how your benefits are calculated in respect of any period of membership contributing to those options.

Your deferred pension will continue to increase in value until it is paid to you. You may apply for early payment of your pension when you are eligible but this will be reduced to reflect the longer payment period.

## Calculation of pension

The calculation of your pension on leaving or retirement will depend on which benefit option(s) you have been a member of.

**Please note:** If you have transferred into the Scheme, the benefits secured by the transfer will be paid in addition to those below.

For your period of membership in this benefit option you will receive a pension of:

$1/70^{\text{th}}$  x total revalued career earnings.

In practice TPT will calculate a pension of  $1/70^{\text{th}}$  of your pensionable earnings each year.

The pension earned each year will then be increased by the rise in the Retail Prices Index (RPI), up to a maximum of 5% that follows in each subsequent year before retirement. If RPI exceeds 5% it is the Scheme's objective to increase pensions in line with RPI, if sufficient resources are available.

- Revaluation under the rules is for complete years – from 1 April to 31 March.
- Pension earned from April to your retirement date in the year you retire, and in the one year up to that April, is not increased. This is because, under the rules, a year's inflation has to occur after each April before your benefit is increased.

# CARE 1/80th Benefit Option

## What is Career Average Revalued Earnings (CARE) 1/80th?

CARE 1/80th is a defined benefit (DB) option in SHAPS (the Scheme). It provides benefits related to your earnings for each year you were a member of this benefit option in the Scheme. The examples below show benefits built up in the CARE 1/80th benefit option. Each year's pension is increased in line with price inflation up to a maximum of 5% in any one year.

**Table A – Example Data**

Year	Assumed Earnings	Pension (1/80th of earnings)	Assumed CPI Inflation
Year 1	£20,000	£250.00	n/a
Year 2	£21,800	£272.50	4.7%
Year 3	£23,500	£293.75	2.9%
Year 4	£25,000	£312.50	4.1%
Year 5	£26,400	£330.00	1.5%

**Table B – Revalued Pension**

Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£250.00	x 1.047	x 1.029	x 1.041	x 1.015	= £284.59
Year 2		£272.50	x 1.029	x 1.041	x 1.015	= £296.28
Year 3			£293.75	x 1.041	x 1.015	= £310.38
Year 4				£312.50	x 1.015	= £317.19
Year 5					£330.00	= £330.00
Total pension after the end of Year 5						£1,538.44

CARE benefit options in the Scheme provide a similar range of benefits to the Final Salary benefit option.

These include:

- Life cover. For active members, a death-in-service lump sum of 3 x salary.
- Survivors' pensions following your death.
- The option to exchange some pension for a cash sum at retirement.
- Normal Retirement Age of 65, with early retirement available from age 55.
- Enhanced terms if you have to retire due to ill-health.
- Tax relief on your pension contributions.

## How much does this benefit option cost?

Contribution rates are reviewed by the Committee on the advice of the Scheme Actuary at least every three years and a cost for each benefit option is calculated.

The cost of providing this benefit option for service from 1 April 2017 is 17.9%. This cost is split between the employers and the members as determined by the employer within set parameters.

## Deferred pension

Please refer to the other benefit option inserts for details of how your benefits are calculated in respect of any period of membership contributing to those options.

Your deferred pension will continue to increase in value until it is paid to you. You may apply for early payment of your pension when you are eligible but this will be reduced to reflect the longer payment period.

## Calculation of pension

The calculation of your pension on leaving or retirement will depend on which benefit option(s) you have been a member of.

**Please note:** If you have had a transfer into the Scheme, the benefits secured by the transfer will be paid in addition to those below.

For your period of membership in this benefit option you will receive a pension of:

$1/80\text{th} \times \text{total revalued career earnings.}$

In practice TPT will calculate a pension of  $1/80\text{th}$  of your pensionable earnings each year.

The pension earned each year will then be increased by the rise in the Retail Prices Index (RPI), up to a maximum of 5% that follows in each subsequent year before retirement. If RPI exceeds 5% it is the Scheme's objective to increase pensions in line with RPI, if sufficient resources are available.

- Revaluation under the rules is for complete years – from 1 April to 31 March.
- Pension earned from April to your retirement date in the year you retire, and in the one year up to that April, is not increased. This is because, under the rules, a year's inflation has to occur after each April before your benefit is increased.

# CARE 1/120th Benefit Option

## What is Career Average Revalued Earnings (CARE) 1/120th?

CARE 1/120th is a defined benefit (DB) option in SHAPS (the Scheme). It provides benefits related to your earnings for each year you were a member of this benefit option in the Scheme. The examples below show benefits built up in the CARE 1/120th benefit option. Each year's pension is increased in line with price inflation up to a maximum of 5% in any one year.

**Table A – Example Data**

Year	Assumed Earnings	Pension (1/120th of earnings)	Assumed CPI Inflation
Year 1	£20,000	£166.67	n/a
Year 2	£21,800	£181.67	4.7%
Year 3	£23,500	£195.83	2.9%
Year 4	£25,000	£208.33	4.1%
Year 5	£26,400	£220.00	1.5%

**Table B – Revalued Pension**

Pension	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
Year 1	£166.67	x 1.047	x 1.029	x 1.041	x 1.015	= £189.73
Year 2		£181.67	x 1.029	x 1.041	x 1.015	= £197.52
Year 3			£195.83	x 1.041	x 1.015	= £206.92
Year 4				£208.33	x 1.015	= £211.46
Year 5					£220.00	= £220.00
Total pension after the end of Year 5						£1,025.63

CARE benefit options in the Scheme provide a similar range of benefits to the Final Salary benefit option.

These include:

- Life cover. For active members, a death-in-service lump sum of 3 x salary.
- Survivors' pensions following your death.
- The option to exchange some pension for a cash sum at retirement.
- Normal Retirement Age of 65, with early retirement available from age 55.
- Enhanced terms if you have to retire due to ill-health.
- Tax relief on your pension contributions.

## How much does this benefit option cost?

Contribution rates are reviewed by the Committee on the advice of the Scheme Actuary at least every three years and a cost for each benefit option is calculated.

The cost of providing this benefit option for service from 1 April 2017 is 12.1%. This cost is split between the employers and the members as determined by the employer within set parameters.

## Deferred pension

Please refer to the other benefit option inserts for details of how your benefits are calculated in respect of any period of membership contributing to those options.

Your deferred pension will continue to increase in value until it is paid to you. You may apply for early payment of your pension when you are eligible but this will be reduced to reflect the longer payment period.

## Calculation of pension

The calculation of your pension on leaving or retirement will depend on which benefit option(s) you have been a member of.

**Please note:** If you have had a transfer into the Scheme, the benefits secured by the transfer will be paid in addition to those below.

For your period of membership in this benefit option you will receive a pension of:

$1/120\text{th} \times \text{total revalued career earnings}$ .

In practice TPT will calculate a pension of  $1/120\text{th}$  of your pensionable earnings each year.

The pension earned each year will then be increased by the rise in the Retail Prices Index (RPI), up to a maximum of 5% that follows in each subsequent year before retirement. If RPI exceeds 5% it is the Scheme's objective to increase pensions in line with RPI, if sufficient resources are available.

- Revaluation under the rules is for complete years – from 1 April to 31 March.
- Pension earned from April to your retirement date in the year you retire, and in the one year up to that April, is not increased. This is because, under the rules, a year's inflation has to occur after each April before your benefit is increased.

# Final Salary 1/60th Benefit Option

## What is Final Salary 1/60th?

Final Salary 1/60th is a defined benefit (DB) option in SHAPS (the Scheme). At retirement you will receive a pension of 1/60th of your final pensionable earnings for each year you were a member of this benefit option in the Scheme.

The examples below show how the benefits are calculated in the Final Salary 1/60th benefit option:

### Example A

- Pensionable service in the Final Salary 1/60th benefit option of the Scheme: 10 years and 6 months.
- Final pensionable earnings (your average earnings in the three years leading up to your retirement date, increased by inflation in the year ending six months before your retirement date): £25,400.
- Pension calculation:  $1/60\text{th} \times 10.5 \text{ years} \times £25,400 = £4,445$  pension a year.

### Example B

- Pensionable service in the Final Salary 1/60th benefit option of the Scheme: 14 years and 9 months.
- Final pensionable earnings (your average earnings in the three years leading up to your retirement date, increased by inflation in the year ending six months before your retirement date): £32,120.
- Pension calculation:  $1/60\text{th} \times 14.75 \text{ years} \times £32,120 = £7,896.16$  pension a year.

All of the DB options in the Scheme provide a range of additional benefits. These include:

- Life cover. For active members, a death-in-service lump sum of 3 x salary.
- Survivors' pensions following your death.
- The option to exchange some pension for a cash lump sum at retirement.
- Enhanced terms if you have to retire due to ill-health.
- Tax-relief on your pension contributions.

If you move to a new employer who also participates in SHAPS, and join a different benefit option in the Scheme, your final pensionable earnings might be calculated at the date you leave the Final Salary 1/60th benefit option of the Scheme. You would be told if this applied to you.

## How much does this option cost?

Contribution rates are reviewed by the Committee on the advice of the Scheme Actuary at least every three years and a cost for each benefit option is calculated.

The cost of providing this option for service from 1 April 2017 is 25.1%. This cost is split between the employers and the members as determined by the employer within set parameters, for example:

- Employers will pay 12.6%.
- Members will pay 12.5%.

**Please note:** Some employers will give employees a choice of benefit options; if this is the case you may have to pay a higher, non-standard contribution rate if you choose a more expensive option than your employer's 'default' option. This will be explained to you if it applies in your organisation.

## Deferred pension

Your deferred pension is calculated according to the benefit option you have been a member of (see the 'Calculation of pension' section below).

For all pensionable service in this benefit option the earnings used will be the better of:

- your final pensionable earnings; and
- your actual pensionable earnings during the 12 months before you leave.

Your deferred pension from the Scheme, in respect of pensionable service before April 2002, is payable from age 60 without any reduction for early payment.

Deferred pension in respect of pensionable service from April 2002 will be actuarially reduced if it is taken before age 65.

Your deferred pension will increase in line with the Retail Prices Index (RPI), up to 5% per annum, until it is paid to you. If RPI exceeds 5% it is the Scheme's objective to increase pensions in line with RPI, if sufficient resources are available. You may apply for early payment of your pension when you are eligible but this will be reduced to reflect the longer payment period.

An example of how to calculate your benefits is shown below.

## Calculation of pension

The calculation of your pension on leaving or retirement will depend on which benefit option(s) you have been a member of.

**Please note:** If you have transferred into the Scheme, the benefits secured by the transfer will be paid in addition to those below.

For your period of membership in this benefit option you will receive a pension of  $1/60\text{th} \times \text{pensionable service} \times \text{pensionable earnings}$ .

e.g.  $1/60\text{th} \times 20 \text{ years} \times \text{£}25,000 = \text{£}8,333.33$  per annum

## What if I work part-time?

If you have consistently worked the same part-time hours in your employment you can calculate your pension benefits using the method shown above.

The calculation is more complex if the number of hours you work changes during your membership of the Scheme, or if your membership is made up of full-time and part-time periods. For part-time service, your benefits will be reduced proportionately to the equivalent full-time service.

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