# Housing briefing, August 2025: SHAPS deficit contributions to restart while cost of new benefits fall

In this briefing we discuss the results of the 30 September 2024 valuation of the Scottish Housing Associations' Pension Scheme (SHAPS).

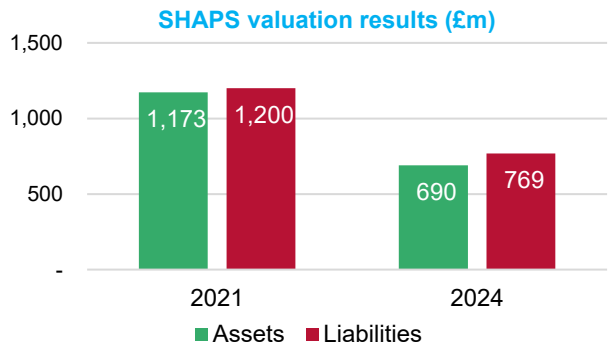
The headlines are:

- The funding level **fell from 98% to 90%** between 2021 and 2024.
- **Deficit contributions will restart from April 2026**, at roughly **half the previous amount**.
- Deficit contributions are scheduled to be paid **until March 2030** at least, increasing at **3% a year**.
- Deficit contributions may continue for a further **two years until 2032**, depending on the outcome of the **TPT Scheme benefit review**.
- The cost of building up new Final Salary and Career Average Revalued Earnings (CARE) pensions has **fallen by over a third**.
- **Expenses will increase** from April 2026, with a further review due to take place on how these are allocated between employers.

## Headline valuation results

The first thing we notice from the chart below is that SHAPS is roughly a third smaller than it was in 2021.

The main reason for this is that long-term interest rates have increased significantly since the 2021 valuation – reducing both the assets and liabilities.




Between 2021 and 2024, the deficit increased from £27m to £79m – despite employers paying around £33m of deficit contributions into SHAPS over that period.

TPT has provided a breakdown of the movement in funding position, which is summarised below:

| £m | £m |
|---|---|
| **2021 deficit** | **(27)** |
| Deficit contributions | 33 |
| Membership movements | 14 |
| Changes in market conditions and inflation/salary experience | (83) |
| Changes to assumptions | (11) |
| Addition of expense reserve | (5) |
| **2024 deficit** | **(79)** |

For a well-funded and highly 'hedged' scheme, we'd expect the impact of changes in interest rates and inflation expectations to be broadly neutral.

However, the above summary indicates that the overall impact of changing market conditions has been to worsen the funding position.

## Deficit contributions

The 2021 valuation contained some welcome news for employers – that deficit contributions would stop from September 2022.

However, as trailed in advance, deficit contributions are due to restart from April 2026 for at least four years until March 2030, increasing by 3% each April.

At a scheme-wide level, these contributions are around half of what employers were paying in September 2022.

However, it's important to note that the way in which deficit contributions are allocated means that the impact on each employer will differ slightly.

Employers should make sure budgets are updated for their new deficit contributions from 1 April 2026.

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## TPT Scheme benefit review

At the time of writing, there is no final outcome from the court on the TPT Scheme benefit review.

The SHAPS Employer and Scheme Committees have agreed that if the benefit review results in additional liabilities, the agreed deficit contributions will continue for a maximum of two years, until 31 March 2032.

In practice, the next valuation will have an effective date of 30 September 2027, with any changes to contributions coming into effect from April 2029. It's likely that by that point we will have some clarity on the impact of the Scheme benefit review.

Employers should consider whether to budget for the two additional years of deficit contributions.

## Reduction in future service contributions

The increase in long-term interest rates has also significantly lowered the cost of new benefit accrual for both the Final Salary and CARE sections.

The current rates (as a percentage of pay) are set out below, along with the costs from 1 April 2026.

| Section | Current cost* | Cost from 1 April 2026 |
|---|---|---|
| Final salary 1/60th | 32.8% | 21.0% |
| CARE 1/60th | 31.7% | 18.9% |
| CARE 1/70th | 27.1% | 16.2% |
| CARE 1/80th | 23.7% | 14.2% |
| CARE 1/120th | 15.8% | 9.6% |

**For a closed employer. From April 2026, there will be no difference in cost for open or closed employers.*

Employers that offer Defined Benefit (DB) pensions will see significant cost reductions from 1 April 2025. How to share this saving between employer and employees will require careful consideration.

## Increases in expenses

TPT has confirmed that Scheme expenses will increase from April 2026. We understand that this increase may be around one-third, although the impact will differ by employer.

TPT has also confirmed that the Employer Committee is reviewing how expenses are allocated to individual employers, potentially introducing a fixed per-employer charge, which would be similar to the Social Housing Pension Scheme (SHPS).

A further change to expenses may come into effect ahead of the 2027 valuation.

## Timetable for consultation with employees

For employers open to DB accrual, boards will need to understand the impact of the significant reduction in the cost of new benefits.

We have set out a potential timetable below:

| Action | Date |
|---|---|
| Board receives advice on pension strategy and agrees final proposal | Sep/Oct 2025 |
| Consultation with affected staff on changes to future benefits and/or contribution rates | Nov/Dec 2025 |
| Agreement of final decisions following consultation | Jan 2026 |
| Confirmation of changes to TPT | 30 Jan 2026 |
| Changes take effect | 1 April 2026 |

If you'd like to discuss how this valuation will impact your organisation, please get in touch using the link below.

## What should employers do next?

Employers should:

- Make sure executive teams and boards are fully briefed on the valuation results and what they mean
- Review the costs, risks and options of SHAPS participation
- Update budgets to allow for new deficit contributions and expenses from 1 April 2026
- Assess the implications of the lower costs for new Final Salary and CARE benefits
- Consult with employees on any proposed changes.

## Get in touch with our experts

First Actuarial provides independent advice to more housing associations than any other firm.

To discuss the contents of this briefing, or any area of pensions, contact any of our nationwide social housing team.