Plumbing Pensions
Plumbing & Mechanical Services
(UK) Industry Pension Scheme

CONTACT DETAILS:

Please send us your email address and let us know when your personal details change.
Please also get in touch if you have a question about your pension savings
or if would like a copy of any Scheme documents. You can email us:

info@plumbingpensions.co.uk

Or call our telephone helpline on:

08457 65 65 65

Or write to us at:

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NEWSLETTER
EMPLOYEE HIGHER SCALES
January 2016

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Welcome to this special newsletter, which provides an update on the employee consultation about the proposal to increase contribution rates.

We have also taken the opportunity to give you more information about other changes that might affect you, such as the end to reduced rate National Insurance contributions from April 2016 and changes in the way pension savings are taxed, as well as the latest summary funding statement from the Scheme Actuary.

Please send us your email address (see our contact details at the end). We want to improve the way we communicate with you and this would really help us keep you up to date with information about your pension savings.

We hope we are answering your pension questions. If you have any questions or feedback, please get in touch with the staff at Plumbing Pensions. Your feedback is very welcome!

Alan Pickering
Trustee Chairman

OUTCOME OF THE EMPLOYEE CONSULTATION

We wrote to you in September about proposed increases to the Scheme's contribution rates in April 2017 and April 2018. The Trustee Directors have reviewed and considered all the comments received during the two month consultation period, which ended on 30 November 2015. While there was some disappointment that the Scheme's contribution rates needed to go up, no alternative proposals were put forward.

To ensure the money coming into the Scheme is enough to cover the cost of ***future benefits*** being promised, the Trustee Directors have therefore agreed that employer and employee contribution rates (expressed as a percentage of Earnings) will increase as set out in the table opposite.

If you or your employer do not want to pay higher contributions, it will be possible by agreement to move onto a different benefit scale. Your employer must listen to your views before moving you onto a different benefit scale. Any change in benefit scale will only apply to *future benefits* you build up in the Scheme. The pension credits you have built up to now will not be reduced and will not be affected if you change onto a different benefit scale.

If you switch to the 2017 Scale, all the benefits that you have built up before April 2017 will be preserved for you, including your right to a spouse's pension in respect of your pre-April 2017 pensionable service. For example, if you have been contributing to the Scheme for 20 years, you will have built up 20 years' of spouse's pension entitlement which will be paid to your spouse if you die first. You can find further information about the 2017 Scale on our website or in the announcement we sent you in September 2015.

Scale		Current	From April 2017	From April 2018
Basic	Employee	3.75%	4.6%	5.3%
	Employer	7.50%	9.2%	10.6%
2017	Employee	-	3.75%	3.75%
	Employer	-	7.50%	7.50%
H2	Employee	5.25%	5.9%	6.5%
	Employer	10.5%	11.8%	13.0%
H3	Employee	6.25%	7.3%	8.3%
	Employer	12.5%	14.6%	16.6%
H4	Employee	7.25%	8.5%	9.7%
	Employer	14.50%	17.0%	19.4%

SUMMARY FUNDING STATEMENT

The Trustee of the Industry Scheme is required to provide members and beneficiaries with a summary funding statement after each annual funding update. The previous formal statement was circulated in October 2015.

PLANNING FOR THE FUTURE

Most Scheme members will not retire for some time and their pensions may be drawn over many years. This means that the Scheme does not have to pay out on all its commitments straight away and also that several assumptions must be made about the future. Inevitably, future experience is likely to differ from today's assumptions so we need to be able to adapt to future events. This will ensure there are enough assets to cover future pension payments.

VALUING THE SCHEME

The Scheme has a formal financial assessment (called an actuarial valuation) at least once every three years. The latest actuarial valuation was carried out as at 5 April 2014, and the actuary found that the assets were enough to cover 101% of the Scheme's liabilities. This calculation was performed on an ongoing basis, which assumes that the Scheme continues. Last year we reported this as a preliminary result and we are pleased to confirm that this has now been finalised.

The actuary also reported on the financial position of the Scheme in the hypothetical situation that it had discontinued at 5 April 2014 and had to secure benefits with an insurance company. On this basis, the assets were estimated to cover around 77% of the liabilities at that date. This is lower than the ongoing funding level described above, as insurers are obliged to take a very cautious view of the future and need to make a profit. By contrast, the ongoing funding valuation assumes that the participating companies will continue in business and continue to contribute to the Scheme, which can therefore continue to invest in shares and other return-seeking assets.

FUNDING UPDATE AT 5 APRIL 2015

An update was carried out on an approximate basis at 5 April 2015 by the actuary. Over the year from the formal valuation at 5 April 2014, the funding position had fallen slightly such that assets covered 95% of liabilities at 5 April 2015. The decrease in the funding level from 101% to 95% was mainly due to a decrease in the market's expectation of future investment returns which increases the amount of money that needs to be set aside now to meet future benefit payments. This was offset partially by higher than anticipated returns on the Scheme's assets over the year to 5 April 2015.

You should bear in mind that a pension scheme is a long term arrangement. The shortfalls mentioned above were in a hypothetical situation only.

We will write to you again in October 2016 with an update on the Scheme's funding position as at 5 April 2016.

RATES OF CONTRIBUTIONS

As part of the 5 April 2014 valuation, the current rates of both employer and employee contributions were reviewed to check they were appropriate for meeting the costs of providing benefits in respect of future years' service. Following this review, the actuary recommended an increase to the employer and employee contribution rates for all membership categories. A period of employee and employer consultation on the proposals took place in the autumn of 2015. As a result of this it has been agreed that both employee and employer contribution rates will increase from April 2017.

OTHER INFORMATION

As required by law, we confirm that no changes, directions, or Schedules of Contributions have been imposed on the Scheme by the Pensions Regulator, and that there have been no payments out of the Scheme's funds to any of the participating companies since the date of the last statement.

LEGISLATIVE CHANGES

STATE PENSION STATEMENTS

The Government is introducing a new flat rate State Pension of £155.65 a week from April 2016, which will replace both the Basic State Pension and the State Second Pension (previously known as SERPS). The Government plans to send State Pension Entitlement Statements to all UK residents of working age. If you reach State Pension Age after 5 April 2016, you will receive the new State Pension.

You will see a deduction on your State Pension Entitlement Statement. This is because the Industry Scheme has always contracted-out of the State Second Pension, which means you benefited from paying lower National Insurance contributions and you did not build up any entitlement to the State Second Pension. Instead, the Industry Scheme has a responsibility to pay you a benefit broadly the same as the pension you would have built up in the State system. We are updating the member booklet to reflect changes in the State Pension. A new version will be uploaded to our website in due course.

INCREASE IN NATIONAL INSURANCE CONTRIBUTIONS

When the new State Pension is introduced, the Industry Scheme will no longer be allowed to "contract out" of the State Second Pension. From 6 April 2016, you will be "contracted in" to the new flat rate State Pension. This means that the National Insurance contributions deducted from your pay will increase because you will no longer benefit from reduced rate National Insurance contributions. From 6 April 2016, you will pay an extra 1.4% of earnings between the Primary Threshold (currently £155 a week) and the Upper Accrual Point (currently £770 a week). The following table illustrates how this might affect your take home pay.

Gross Salary	Estimated reduction in take home pay (per month)	Estimated reduction in take home pay (per year)
£15,000pa	£8	£97
£20,000pa	£14	£167
£25,000pa	£20	£237
£30,000pa	£26	£307
£35,000pa	£31	£377
£40,000pa & above	£37	£447

From April 2016, in return for paying higher National Insurance contributions, you will start to build up an entitlement to the new flat rate State Pension. The benefits that you receive from the Scheme are not changing.

MINIMUM RETIREMENT AGE

The Government has announced that the minimum retirement age will increase from age 55 to age 57 in April 2028.

MORE CHOICE ON RETIREMENT

Since April 2015, pension legislation has been relaxed giving individuals more choice over the way they take their retirement benefits. Most of the changes affect defined contribution (also known as money purchase) savings, where money is invested in a pot until retirement.

The Industry Scheme is a defined benefit scheme, which is different. The main change affecting members of our Scheme with small pension credit amounts, is that the limits on the amount of pension that can be commuted for a single cash lump sum have been increased. If you would like to find out more go to: **www.pensionsadvisoryservice.org.uk** or **www.moneyadviceservice.org.uk**

'Pension Wise' is a new free retirement guidance service available to anyone aged 50 or over with defined contribution pension savings, including AVCs. To find out more go to: **www.pensionwise.gov.uk**

TAX RELIEF LIMITS

The Government has changed the way pension savings are taxed:

- The Annual Allowance (AA), which limits the amount you can save towards your retirement each year before incurring a tax charge, is reducing for high earners.
- The Lifetime Allowance (LTA), which is the amount of retirement savings you can make in your lifetime before incurring a tax charge, is reducing from £1.25 million for the 2015/16 tax year to £1 million for the 2016/17 tax year.

There are many things you need to consider before making changes to your retirement savings. If you think you might be affected by any of these tax changes, you should seek independent financial advice.