

PLUMBING & MECHANICAL SERVICES (UK) INDUSTRY PENSION SCHEME GUIDE TO OPERATING THE PENSION SCHEME

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GUIDE TO OPERATING THE PENSION SCHEME

1. Accounting for Pension Scheme

A help sheet is available on request to employers required to disclose pension information in their annual company accounts.

2. Additional voluntary contributions (AVCs)

The Scheme operates an AVC section, which is administered by Prudential. An information pack and application form is available on request.

Employers should not commence the deduction of AVCs until such time as an AVC application form has been completed by the member and submitted to the Administration Team.

We shall acknowledge receipt of the application form and advise you how to proceed. In brief, you must deduct the amount of AVC which the employee has elected to pay from employee Earnings and remit these along with your regular payment of pension contributions for onward submission to Prudential for investment.

We shall provide you with an AVC Monthly Return form for this purpose.

Please note that pension contributions to the main Scheme should be calculated *before* the deduction of AVCs. As is the case with pension contributions to the main Scheme AVCs should be deducted before the calculation of PAYE Income Tax.

There is no annual return required for AVCs.

Employers should advise the Administration Team of any change in the amount of AVCs that the member pays.

3. Annual statement

Each year at the Scheme year end (5th April) employers will be issued with an Annual Statement detailing all employees who our records show have participated in the Scheme during the year. Each employer must respond by the 31st May, to confirm total Earnings and pension contributions in respect of each employee for the previous year and any changes in member details.

If pension contributions have been paid incorrectly during the year for whatever reason e.g. a bonus has been omitted from Earnings or family leave has been treated incorrectly, this must be corrected.

We will also provide you with a **Certificate of Pay and Pension Contributions – Form P60** for issue to all employees at the year end.

4. Automatic Enrolment

The Scheme is a Qualifying Scheme for automatic enrolment.

If enrolling an employee through Automatic Enrolment, a member application form need not be completed. Instead employee details consisting of full name, National Insurance number, date of birth, address, date of joining the Scheme, contribution rate and email address should be encrypted and sent electronically to the Administration team at info@plumbingpensions.co.uk.

5. Benefits

The Scheme's benefits are summarised in the Scheme Rules, as amended from time to time. A summary of benefits provided can be found in the [Scheme Guide](#) and also here on the website.

6. Certificate of Pensions Credit

Each year, after the submission and reconciliation of Annual Statements from all employers, a Certificate of Pensions Credit will be issued to all Scheme members that have not yet retired.

7. Contribution rates

The following table summarises the contribution rates for the different benefit scales, expressed as a percentage of Earnings. The Contribution Rates are set out in a formal document called a Schedule of Contributions, which is renewed regularly following each formal funding valuation.

Benefit Scale		Up to April 2017	From April 2017	From April 2018
Basic	Employee	3.75%	4.6%	5.3%
	Employer	7.5%	9.2%	10.6%
2017	Employee	-	3.75%	3.75%
	Employer	-	7.5%	7.5%
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	14.5%	17.0%	19.4%

Any employee electing to join the 2017 Benefit Scale before April 2017 will accrue benefits on the Basic benefit scale until 5 April 2017 at which point they will automatically transfer onto the 2017 Benefit Scale.

The Scheme Actuary regularly reviews the Scheme's Contribution Rates to ensure they remain sufficient to cover the Benefits being built up by members. If a formal funding valuation shows that the Scheme's assets at that time are not sufficient to cover the benefits that have been promised, the Trustee is required by law to put in place a Recovery Plan, which may require higher Contribution Rates.

8. Deduction of pension contributions

Pension contributions should be deducted and paid to the Scheme by the 19th of the following calendar month to which they relate.

9. Earnings

Earnings are the total cash emoluments payable, excluding holiday pay and sickness and accident benefit under the Industry Holiday and Welfare Benefit Schemes and any payment under the Government Statutory Sick Pay Scheme. As a general rule, any payments which attract both Tax and National Insurance Contributions would be classed as earnings and should be included in the calculation of pension contributions. If you participate in a profit related pay scheme or salary sacrifice (where an employee accepts a reduction in pay in return for another benefit), their earnings are the total cash emoluments which you (as employer) have certified to the Trustee in writing.

10. Employee leaving

Complete form Pensions 45 (available on request from Plumbing Pensions) with details of Earnings and pension contributions for the year to date. Send Part 1 to us and issue Part 2 to the employee.

11. Employers Leaving the Scheme

Legislation requires any employer that ceases to participate in a multi-employer pension scheme to pay an exit charge called a Section 75 debt. Please be aware that putting new employees into the pension scheme could increase the exit charge your company would need to pay if you cease to participate in the Scheme in future (called a trigger event in accordance with section 75 employer debt legislation). We recommend you speak to your employer trade association or take independent professional advice to help you understand the implications of this legislation for your business.

If it is your intention to employ at least one employee who will become a member of the Scheme within 12 months of the date when you cease to employ an active member of the Scheme you may be able to defer the Section 75 employer debt by applying for a period of grace notice. Further details are available on request at info@plumbingpensions.co.uk.

If you leave the pension scheme because your business is ceasing to trade, you have a legal duty to notify the Pensions Regulator. The Scheme may agree to notify the Pensions Regulator on your behalf, in which case you will be required to provide certain details to the Scheme.

12. Enrolling employees into the Scheme (not via automatic enrolment)

To enrol an employee into the Scheme an 'Application Form' should be completed and signed by both employer and employee.

13. HMRC tax limits

The Annual Allowance (AA) is the maximum amount which a member can save towards retirement each year without incurring a tax charge. Unused AA can be carried forward from the previous three tax years.

The Lifetime Allowance (LTA) is the limit on pension entitlement that can be built up in a member's lifetime without incurring a tax charge on retirement or death. The limit is measured against the total value of pension benefits that the member has accrued in all their pension arrangements, not just within the Scheme.

14. Information

During the Scheme year it is important that you notify us of all employees joining and leaving the Scheme promptly.

If you require any further advice or information please do not hesitate to contact us at:

Administration Team
Plumbing & Mechanical Services (UK) Industry Pension Scheme
Bellevue House
22 Hopetoun Street
Edinburgh
EH7 4GH

Telephone: 08457 656565 (calls charged at local rate)

Email: info@plumbingpensions.co.uk

15. Joining

Although the Scheme is closed to new employers it is still able to accept new employees of existing employers.

16. Retirement age

Normal Retirement Age is the member's 65th birthday. Members can draw their benefits from an earlier age the earliest is age 55 or choose to defer their pension beyond Normal Retirement Age.

17. PAYE income tax

Applied to gross earnings less pension deduction to give the employee tax relief on pension contributions at source.

18. Payment of pension contributions

The Scheme must be advised of pension contributions deducted from your employees and receive payment no later than the 19th of the month following the month in which they are deducted.

Failure to remit pension contributions by the due date is a breach of legislation, which the Trustee has to record and report to the Pensions Regulator.

We will accept payment by bank transfer directly to the Scheme bank account. By prior agreement, we also accept payment by cheque.

With each payment, confirmation of total monthly earnings and total contributions deducted for each benefit scale is required.

19. Pension contributions

Total pension contributions are calculated by multiplying the appropriate Contribution Rate percentage, according to Benefit Scale (see "Contribution Rates") by employee Earnings.

20. Pension contributions during family leave

During periods of **Ordinary Maternity, Adoption and Paternity Leave** and **paid Additional Maternity, Adoption and Paternity Leave**, employer pension contributions must be paid on the earnings which the employee would receive if working normally. The employee is only required to pay contributions on the earnings he or she actually receives. The employer must pay employer contributions on the earnings the employee would have received if working normally **as well as** the employee contributions on the difference between the earnings the member would receive if working normally and the earnings the member actually receives.

Please note that in the case of **Ordinary Maternity, Adoption and Paternity Leave**, where the employee is not in receipt of statutory or contractual pay, the employer is required to pay both the employee and employer contributions on the earnings the member would have received if working normally.

Where an employee is in receipt of paid **Parental Leave**, employer and employee pension contributions need only be paid on the actual earnings received.

21. Pension reference number

Your employer pension reference number which we have supplied should be quoted in all communications and documentation provided in respect of the Scheme.

22. Record keeping

The Administration Team require full details for each employee from which pension contributions are deducted (full name, address, postcode, email address, date of birth, date of joining scheme, National Insurance Number, pension contributions and total Earnings).

During 2017, we will be upgrading our administration system so that all data and contributions are collected electronically.

As most employers now use a computerised wage system this information can be recorded and extracted automatically. We may supply contribution cards (P11/P11A) should an employer wish. This will allow manual recording of total contributions and Earnings during the Scheme year.

23. Recovery plan

This is a document required by law if a Scheme does not have sufficient assets to meet expected future benefit payments when the Scheme Actuary carries out the formal funding valuation (typically every three years). It documents what steps the Trustee has agreed to make good the funding shortfall, for example, by increasing Contribution Rates.

24. VAT invoices

Plumbing Pensions (UK) Administration Ltd will issue an annual invoice to each VAT registered employer for their share of VAT paid on annual administration costs incurred by the Scheme. Each employer's individual share is based on Scheme contributions paid.

Please note that this VAT payment can be reclaimed as input tax subject to the Rules in Public Notice 700.