Employee Announcement

October 2015

Proposed changes to the contribution rates in the Plumbing & Mechanical Services (UK) Industry Pension Scheme

This document shows some of the most frequently asked questions and answers received so far from employees during the consultation process.

Why are you reducing my benefits?

The benefits that you have already built up in the Industry Scheme ***are not being reduced***. None of the pension credits you have already earned will be affected by this proposed change.

Looking forwards, the Scheme Actuary is worried that if we do not increase pension contributions, the money coming into the Scheme would not be enough to cover the cost of the *future* benefits being promised. This means that from April 2017, you may need to pay higher contributions to build up future benefits in the Scheme.

What can I do if my employer wants to move me onto the 2017 Scale but I want to stay on the Basic Scale and pay higher contributions?

If your employer does not want to increase their pension contributions, they will need to consult with you about moving you onto a lower benefit scale. Your employer will need to listen to your views before making a final decision on what to do going forward.

If your employer cannot afford to increase the contributions that it pays and you are worried about the level of your retirement savings, you can choose to make Additional Voluntary Savings (AVCs) to supplement your Scheme retirement benefits when you retire.

Is it mandatory to move onto the 2017 Scale?

It is up to your employer to consult with you over what they plan to do.

Are my benefits secure?

The Scheme is not running out of money. The Scheme regularly undergoes a financial health check called an actuarial valuation, which is carried out by the Scheme Actuary to ensure that the Scheme's funding level is sufficient to cover all the liabilities (pension promises) accrued to date. The Scheme Actuary is comfortable that the Scheme was fully funded at the latest full actuarial valuation. This means that using prudent assumptions, the Scheme was holding enough money at the valuation date to cover *all* the benefits that have been promised to *all* the members. There is further information about the Scheme's funding position in the 2015 annual member update.

What safety net is there if the Scheme runs out of money?

The Scheme makes annual contributions to the Pension Protection Fund, which acts as an insurance arrangement for pension schemes that get into financial trouble. For further information, please see: www.pensionprotectionfund.org.uk

Why are the 2017 Scale pre-retirement bonuses linked to consumer price inflation instead of retail price inflation?

Pre-retirement bonuses are currently linked to increases in the Retail Prices Index (RPI). This was the most commonly used index at the time the Scheme was set up. More recently, there has been a shift to use the Consumer Prices Index (CPI). The Government uses CPI to increase all the benefits that it pays, including the State Pension. Because of the way the different price indices are calculated, we expect CPI to be lower than RPI over the longer term, which means the contributions for the 2017 Scale can be lower than the Basic Scale contributions.

Why is the lump sum death benefit higher on the 2017 Scale?

The 2017 scale has a higher death in service benefit (3 times Earnings) because the new 2017 scale will not provide a spouse's pension benefit for pensionable service after April 2017.

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.