

## 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 employers during the consultation process.

### ***Do I have to give the pension announcement to all my employees?***

#### ***Who are my eligible employees?***

You should give a copy of the “eligible employee” announcement to any of your employees who might join the Plumbing Pensions (UK) Scheme in the future, because the proposed changes affect the contributions they would need to pay if they joined the Scheme.

Membership of the Plumbing Pensions (UK) Scheme is open to ALL employees within the plumbing and mechanical services industry, including office staff and other trades employed by a qualifying company. Employees must be aged between 16 and 65 to join the Scheme. If you do not have other pension arrangements for employees not currently participating in the Scheme and you plan to automatically enrol those employees into the Industry Scheme at the appropriate time, then they must be treated as eligible employees.

### ***Is the contribution increase mandatory or optional?***

If the contribution proposal goes ahead as described, the contributions that you pay will need to increase in April 2017 and again in April 2018 unless you take action.

If you do not want to increase the contributions that you pay, you will need to consult with your employees about moving them onto a lower benefit scale. To avoid a contribution increase in April 2017, you would need to consult your employees before April 2017.

### ***How do I move my employees onto the new 2017 benefit scale?***

If you want to move your employees onto the new 2017 Scale from April 2017, you will need to consult with your employees before April 2017. The Trustee Directors will send you some generic employee communications to help you with this process. You will need to tell the administration team if you plan to use the 2017 Scale.

### ***What happens if I can't afford to increase my contributions, but my employees want to stay on the Basic Scale?***

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

If you cannot afford to increase the contributions that you pay but your employees want to pay higher pension contributions, they will be able to use the Scheme's Additional Voluntary Contributions (AVCs) arrangement. Any AVCs that your employees make will be invested in a stand-alone fund

managed by Prudential. Your employees will be able to use these extra savings to supplement their retirement benefits from the Scheme when they retire.

***Will there be new information to pass to eligible employees going forward?***

If you recruit any new employees during the consultation period (which runs until 30 November 2015) and they will be eligible to join the Plumbing Pension (UK) Scheme at some point, you should give them a copy of the “Eligible Employee” announcement.

If at the end of the consultation the Trustee Directors decide to proceed with the contribution increase, the Scheme’s new member information will be updated to reflect the higher contribution rates.

***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 your employees switch to the 2017 Scale, all the benefits they have built up before April 2017 will be preserved and not lost***, including their right to a spouse’s pension in respect of their pre-April 2017 pensionable service. For example, if you have an employee who has contributed to the Scheme for 20 years, they will have built up 20 years’ of spouse’s pension entitlement which will be paid to their spouse if they die first.

***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.