

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

The Trustee Directors are writing to you because you are eligible to become a contributing employee member in the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Scheme).

Although you have not joined the Industry Scheme, this document gives you information about proposed changes to the Scheme. It is a legislative requirement that your employer consults with you about the proposed changes because they will affect you if you decide to join the Industry Scheme in the future.

The contribution rates that employees and employers pay into the Industry Scheme need to increase because they no longer cover the cost of the benefits being promised. It is proposed that the contribution increase be spread over two years and that the first increase is deferred until April 2017.

This document gives you more details about the proposal.

We hope you will find answers to any questions that you may have within this document. If, once you have read this document you still have questions, please use the contact details at the end.

*This document contains important information that could affect you.
Please read it carefully.*



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

Providing Secure Pension Arrangements
Today and Into the Future

Why do the contribution rates need to increase?

The Industry Pension Scheme is a Defined Benefit (DB) arrangement. This means that when a member retires, his or her pension is directly linked to the earnings and contributions that he or she received and made throughout his or her career. The cost is shared between employees (who pay 1/3rd) and employers (who pay 2/3rds).

In recent years, DB pension schemes have been under considerable cost pressure through a combination of factors including:

- people are living longer than previous generations, which makes pensions more expensive to provide; and
- changes in investment markets, including low interest rates and low yields on Government bonds, which reduces the investment returns the Scheme expects to receive in future.

The Trustee Directors carry out a full actuarial valuation at least every three years to check that the Scheme's finances remain on track to meet the benefits that have been promised and to check that the contribution rates for future service are appropriate. At the latest valuation, the Scheme Actuary reported that it is no longer sustainable to leave contribution rates unchanged.

The Trustee Directors do not like asking members to contribute more, but it is important that the Plumbing Industry Pension Scheme is carefully managed to ensure there is enough money to pay everyone's benefits.

The Trustee Directors agree with the Scheme Actuary that the Scheme's contribution rates should increase, which is why we are writing to you now, because these changes affect you if you decide to join the Industry Scheme in the future.

What changes are being proposed to the contribution rates?

The Plumbing Scheme currently has four different benefit scales. The proposal is that from 1 April 2017, both employee and employer contribution rates (expressed as a percentage of Earnings) will increase as set out in the table below and a new 2017 Scale+be introduced.

Scale		Current	From April 2017	From April 2018
Basic	Employee	3.75%	4.6%	5.3%
	Employer	7.50%	9.2%	10.6%
2017^{new}	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%

What is the new “2017 Scale”?

The new 2017 Scale will start in April 2017. The contribution rates for the 2017 Scale will be the same as the current Basic Scale ie 3.75% of your Earnings. Your employer will contribute 7.5% of your Earnings.

The following table compares the key benefits of the 2017 Scale with the Basic Scale.

	Basic Scale	2017 Scale
Accrual rate	1.25% of Earnings	1.25% of Earnings
Pre-retirement bonuses	RPI ¹	CPI ²
Post-retirement increases	Lower of CPI ² & 2.5%	Lower of CPI ² & 2.5%
Spouse's pension on death before & after retirement	Yes	No
Lump sum payable on death in service	2 x Earnings	3 x Earnings

¹ RPI is Retail Price Inflation

² CPI is Consumer Price Inflation

How can I join the Industry Scheme?

It is important to plan for the time when you might want to retire or reduce the hours that you work. The Industry Pension Scheme is one way of saving for your retirement. If you become a contributing member of the Scheme, your employer would contribute towards the cost of your retirement benefits.

If you would like to join the Industry Scheme, this will need to be by agreement with your employer.

Has this proposal been agreed and finalised? What happens next?

No, the proposed contribution increase has not yet been agreed or finalised.

The Trustee Directors have consulted and received agreement in principle to increasing the contribution rates from Unite the Union, the Association of Plumbing & Heating Contractors (APHC) and the Scottish & Northern Ireland Plumbing Employers Federation (SNIPEF).

However, before the Trustee Directors will implement a contribution increase, we are consulting with all contributing members and employees eligible to join the Scheme on behalf of employers, to gather feedback and listen to member views. This employee consultation about the proposed increase in contribution rates commences on 1 October 2015 and runs until 30 November 2015.

The Trustee Directors will consider all the feedback received during the consultation process at their next meeting on 8 and 9 December 2015. After the December meeting, the Trustee Directors will report on the outcome of the consultation.

Where can I get further information or send my comments?

Please send any questions, feedback or comments to:

Contribution Consultation
Plumbing Pensions (UK) Ltd
Bellevue House
22 Hopetoun Street
Edinburgh EH7 4GH

Or email: consultation@plumbingpensions.co.uk

Or call our helpline on: 08457 65 65 65

For further information, please take a look at the Plumbing Pensions website where we will post answers to commonly asked questions during the consultation period: www.plumbingpensions.co.uk