

ANNUAL 2011 UPDATE

The Plumbing and Mechanical Services (UK) Industry Pension Scheme is one of the largest industry-wide schemes in the UK. Its trustee company, Plumbing Pensions (UK) Ltd, is pleased to have this opportunity to report on recent progress.



Plumbing Pensions

Plumbing & Mechanical Services
(UK) Industry Pension Scheme

2012 - new pension requirements

We are now approaching a very important date in the pensions calendar. Starting from 1 October 2012 employers will be required to automatically enrol all eligible employees into a qualifying pension scheme. The exact date to commence automatic enrolment will be calculated individually for each employer, based on total number of company employees.

As the Plumbing Pension Scheme is a qualifying arrangement members currently contributing to the Scheme will not be required to alter their present arrangements. Are you a member with deferred benefits, currently in employment but not contributing to a pension? If so, you will also be required to automatically enrol into a qualifying



arrangement. One option your employer may wish to consider is membership of the Plumbing Pension Scheme. The scheme is not just for plumbing operatives, it is available to any employee in an associated

role and would ensure compliance with the forthcoming legislation.

If you are an employer who already operates the Scheme for your plumbing operatives, you may wish to investigate the possibility of enrolling all staff in the Scheme. By doing so you would fulfil your legal obligations and could alleviate many of your administration worries by having all employees enrolled in just one arrangement - one which offers full administrative support.

Should you wish further information please do not hesitate to contact our Administration Department on 0131 556 0600. You may also wish to view the Scheme website at www.plumbingpensions.co.uk.

Chairman's message

The topic of pensions appears in our newspapers on a regular basis- whether it is talk about proposals to change public sector pensions into career average (the model which the Plumbing Industry Pension Scheme adopted when it was set up in 1975) or about proposed changes to the state pension scheme and state pension ages. It is disappointing that so much of the media coverage paints a somewhat negative view of pensions when there are many well-run occupational schemes like ours which are continuing to provide excellent benefits for their members.

2010/2011 saw the Scheme appointing a Business Development Executive whose role is to encourage more and more employers in our industry to participate in the industry's own occupational pension scheme. The timing of this appointment is significant in that it is in the run-up to the introduction of auto-enrolment. This will mean that every employer must, by law, automatically enrol every employee in an appropriate pension

scheme and make contributions on behalf of those employees. The Plumbing Industry Pension Scheme meets the requirements for the new legislation and we are gearing up to welcoming large numbers of new employer and employee members. This appointment is evidence of the confidence which the trustee company Board of Directors has in the future of your Scheme.

The Board was pleased to note recently that not only were the costs of running the Scheme lower than those for other similar pension arrangements but also the speed of service which we provide was second to none. We continue to see more and more of our existing members receiving pensions- the messages of thanks which are received in our offices demonstrate just how much the pension and the service we provide is appreciated.

It continues to be a privilege to chair the Trustee Company of the Plumbing Industry Pension Scheme- a scheme which justifies

the praise which it receives from both its members and those outside who recognise the quality which the Scheme offers.

Even though we want to attract new employers and new members, we will never neglect the needs of those who already look to us for secure pensions. Any member with any comments or queries about this Update are encouraged to contact the staff at Bellevue House.



Alan Pickering CBE

Chairman, Plumbing Pensions (UK) Ltd

Your certificate explained

Each year a Certificate of Pensions Credit is issued to all members detailing the full benefits they have accrued. To help understanding, key elements are explained below:

1. Certificate number

This number is for internal use only.

2. National Insurance number

When you contact us you must quote your National Insurance number so that we can locate your records.

3. Accrued pension credit in previous years

Pension credit accrued in previous years (to 2009/10).

4. Accrued pension credit (a) to (g)

Pension credit accrued in previous years with 2010/11 bonus added to show the value as at 5 April 2011.

5. Pension credit (h)

Pension credit accrued in the year to 5 April 2011.

6. Total credit

The total pension credit accrued as at 5 April 2011. This figure is the current value of actual annual pension payable from normal retirement date. It will continue to grow between 5 April 2011 and normal retirement date by accruing annual bonuses awarded.

7. Employers' contributions

Contributions made by your employer(s) in the year to 5 April 2011.

8. Annual Allowance

The figure shown, plus the value of any AVCs, is the value of benefits you have accrued this year within the Industry Pension Scheme that count towards your Annual Allowance.

You will find a full explanation of the Annual Allowance calculation on your Certificate of Pensions Credit.

EXAMPLE

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

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Fax 0131 556 8343

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Edinburgh EH7 4GH

CERTIFICATE OF PENSIONS CREDIT YEAR To: 05/04/2011

A Test
Anywhere
Anyplace
Far Away
Test
NN00 ONN

1. **CERTIFICATE NO.:** 00001 0
2. **NATIONAL INS. NO.:** MM000000
DATE OF BIRTH: 31/05/1959
SEX: M
SCALE: B1

TOTAL PRE APRIL 1978 PENSION CREDIT B/F FROM LAST YEAR	1412.53	+ BONUS AT 1.2% =	1429.48	(a)
GMP ACCRUED FOR A PERIOD OF SERVICE WHICH ENDED PRIOR TO 6.4.97	0.00	+ BONUS AT 1.2% =	0.00	(b)
GMP ACCRUED FOR A PERIOD OF SERVICE WHICH ENDED AFTER 6.4.97	1438.97	+ BONUS AT 1.2% =	1456.24	(c)
PENSION CREDIT IN EXCESS OF GMP ACCRUED BETWEEN 6/4/78 AND 5/4/04	2314.78	+ BONUS AT 1.2% =	2342.56	(d)
PENSION CREDIT ACCRUED BETWEEN 6/4/04 AND 5/04/05	572.36	+ BONUS AT 4.6% =	598.69	(e)
B/F PENSION CREDIT ACCRUED FROM 6/4/05	2079.11	+ BONUS AT 4.6% =	2174.75	(f)
POST APRIL 2005 ADDITIONAL CREDIT	312.50	+ BONUS AT 4.6% =	326.88	(g)
			8589.98	TOTAL CREDIT (a) TO (h)

EMPLOYER CODE	EMPLOYER NAME	GROSS PAY	YOUR CONTRIBUTION	PENSION CREDIT
E11111	WELL DONE LTD	20910.00	784.13	261.38

7. **EMPLOYERS CONTRIBUTIONS:** 1568.25
8. **ANNUAL ALLOWANCE:** 4597.30

ADDITIONAL VOLUNTARY CONTRIBUTIONS FOR YEAR: 0.00
AVC FUND VALUE: 0.00

Please See Reverse For Notes
The Trustee Company of the Plumbing & Mechanical Services (UK) Industry Pension Scheme. PSO Ref 19/20555.

Investment performance

The Scheme has appointed a team of investment firms to manage its investments with different firms responsible for each type of asset. The Directors monitor investment performance at each quarterly meeting and

take advice from our investment consultants Aon Hewitt.

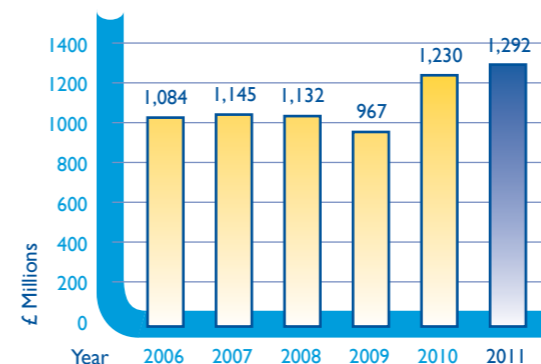
As there have been a number of changes made to the Scheme's investments over the last few

years the combined Scheme benchmark for monitoring the performance of the Scheme's assets was updated from 1 January 2011. The main changes taken into account in establishing the updated benchmark were the restructuring of the bond portfolio, the downward revision of the Scheme's allocation to UK equities (and subsequent allocation to overseas/global equities) and also the continuing build up of the segregated property portfolio.

The investment performance of the fund for 2010/11 delivered a return of 8.1% as against the set benchmark of 7.5%. The fund valuation at 5 April 2011 was £1,292m (up from £1,230m at 5 April 2010).

The Directors will continue to monitor the Scheme's investments closely and make any changes in the investment management arrangements as appropriate.

Value of the fund for the year ended 5 April

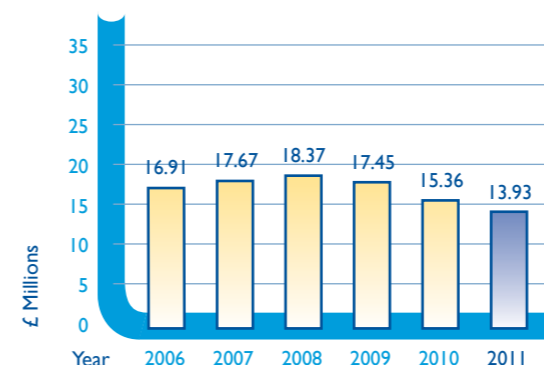


Contributions and benefits

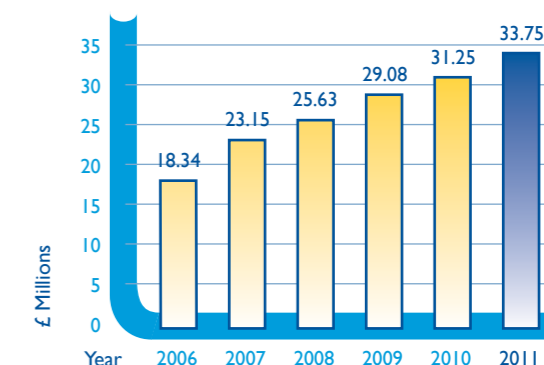
Another reduction in contributions received in the year to 5 April 11. This reflects another difficult trading year experienced by many firms.

There are now over 9,600 pensioners and dependants receiving benefits from the Scheme. The benefits payable to 5 April 2011 increased from £31.25m to £33.75m.

Contributions



Benefits



Key statistics at a glance

Participating employers	592
Pensioners and other beneficiaries	9,607
Active employee members	5,050
Retirements in Scheme year	571
Employee members not currently contributing	23,142
Deaths (in service) in scheme year	8

Annual Report for year to 5 April 2011

If you wish to have a copy of the full Annual Report of the Scheme for the year to 5 April 2011, please contact the Scheme on 0131 556 0600 or download the report from our website www.plumbingpensions.co.uk.

Expression of Wish Form

All members who have not yet received benefits should complete an Expression of Wish Form. The Directors take this form into account when deciding who should receive lump sum death benefits. If you have not yet completed or wish to update a previous form, you can download a copy from our website or request a copy by phone or letter.

Members' comments

"Just a short note to thank you most sincerely for the efficient, courteous and timeous manner you dealt with my recent claim on my father's death.

Excellent customer service is hard to find these days and I would applaud you for dealing with things smoothly, in what is already a difficult time."

From a deceased member's daughter, via e-mail

"Just a note to say thank you so much for the assistance you have given us over the years when we have had pension queries, and for sorting out the pension so promptly due to my husband's ill health. We have received the paperwork and this now gives us the chance to plan our financial future.

Once again I cannot thank you enough for your assistance."

From a pensioner's wife, via e-mail

Summary funding statement from the Scheme's Trustee

Introduction

As Trustee of the Plumbing and Mechanical Services (UK) Industry Pension Scheme (the "Scheme"), we are required to provide members and beneficiaries with an annual summary funding statement. This is the summary funding statement for 2011. The previous formal statement was circulated in October 2010.

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 valuation was carried out as at 5 April 2009, 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 – assuming that the Scheme continues. Last year, we reported to you that by 5 April 2010, the position had improved such that that assets were enough to cover 108% of the liabilities.

The actuary has carried out an approximate update of the position to 5 April 2011 and reported this to the Trustee. This shows that the assets covered liabilities by about 111% on an ongoing basis at 5 April 2011.

The Scheme's funding position has therefore improved slightly over the year. The main reason for the improvement between the 2010 and 2011 calculations was higher than anticipated returns on the Scheme's investments. Members will

be aware, however, of significant volatility in financial markets since April 2011.

The actuary also reported on the financial position of the Scheme if it had discontinued at 5 April 2009 and had to secure benefits with an insurance company. On this basis, the assets were estimated to cover around 63% 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.

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

The next formal actuarial valuation of the Scheme will be carried out as at 5 April 2012, and the Trustee is working with the actuary to make plans for this exercise. We will report the results of this exercise to you in a future update.

Rates of contributions

There has been no change to the level of employee or employer contribution rates.

Other information

We are required by law to 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.

Where can I get more information?

If you have any more questions, or would like any further information, please contact: The Pensions Manager, Plumbing Pensions (UK) Ltd, Bellevue House, 22 Hopetoun Street, Edinburgh EH7 4GH.

Staff changes

In October 2010 the Scheme took a major step forward by appointing Angela Smith as Business Development Executive. At a time when many occupational schemes are deciding to close their doors to new entrants



or even cease altogether, Angela's appointment is another positive step by Plumbing Pensions demonstrating our commitment to the future.

One of Angela's main roles is visiting employers to discuss Scheme membership and answer queries arising. If you would like to contact Angela you can call her directly on 01889 563654 or you can email her at angela.smith@plumbingpensions.co.uk.

This year also saw the administration team say goodbye to a combined total of 56 years' experience with the retirements of Jean Finlayson and Margaret McIntosh. The Directors would like to thank Jean and Margaret for their many years of dedicated service to the Scheme and to wish them well in their retirement.

2011 ad campaign

Earlier this year the Scheme rolled out a new advertising campaign. Initial figures show that our new characters (as illustrated) have really captured peoples' imagination with a marked increase in Scheme enquiries this year. The characters in our adverts are portrayed in a light hearted manner but that does not detract from the important messages which are conveyed.



Further information

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