



Your guide to the Plumbing Industry Pension Scheme



Plumbing Pensions

Plumbing & Mechanical Services
(UK) Industry Pension Scheme

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Introduction

Welcome to the explanatory booklet of the Plumbing Industry Pension Scheme.

The Plumbing and Mechanical Services (UK) Industry Pension Scheme (the “Scheme”) was set up in 1975 with the aim of providing pension benefits for all employees of firms engaged in the Industry in the United Kingdom. The Rules of the Scheme are determined through the two Joint Industry Boards.

The Scheme is set up under trust and governed by Rules dated 20 September 2007 as amended from time to time (the “Rules”) and operated and administered by a trustee company, Plumbing Pensions (UK) Ltd (the “Trustee”) whose directors are drawn from the following industry bodies:

- The Association of Plumbing and Heating Contractors (APHC) (the “Association”);
- The Scottish and Northern Ireland Plumbing Employers’ Federation (SNIPEF) (the “Federation”);
- Unite the Union (the “Union”).

The Trustee is responsible for receiving all contributions paid by members and employers and for ensuring that these contributions are invested solely for the benefit of Scheme members.

Your Scheme provides excellent benefits on retirement and on death either before or after retirement and all employees in the Industry should be aware of the importance of these benefits.

Unlike many other schemes, your Scheme aims to increase pensions in payment each year in line with increases in retail prices. Protection is also given to those who leave contributory membership, with their benefits being treated no less favourably in accordance with legislation, than those who continue in membership.

This booklet is intended to set out the key features of your Scheme in a straightforward way, but the full technical details of the Scheme are contained in the Rules.

In the event of any differences between this booklet and the Rules, the Rules will take precedence at all times.

Copies of the Rules are available on request. The Scheme’s Annual Report and Accounts are available on request or online at www.plumbingpensions.co.uk.

If you have any queries about the benefits of Scheme membership, or if you would like further information, you can write to the Pensions Manager at the address shown on page 1 of this booklet.

Meaning of Words Used

Some of the words and expressions used in the booklet have special meanings and these have been set out below.

Dependant - Anyone who is financially dependent on you or was so dependent at the time of your death. The decision of the Trustee as to whether a person is your dependant is final.

Earnings - Your total cash emoluments. It does not include your holiday pay and sickness and accident benefit under the Industry Holiday and Welfare Schemes and any payment under the Government Statutory Sick Pay Scheme. If you participate in a profit related pay scheme or a salary sacrifice arrangement (where you accept a reduction in pay in return for another benefit), your Earnings are the total cash emoluments which your employer certifies to the Trustee in writing.

HMRC - HMRC means HM Revenue and Customs.

Incapacity - Physical or mental illness which stops you from continuing to work in any capacity or any trade for which you receive profit or pay. The Trustee's decision as to whether you are suffering from incapacity is final.

Lifetime Allowance - The limit set by HMRC on a person's overall tax-free pension entitlement. The limit is set by HMRC each year and is measured against the value of your pension benefits to which you are entitled. If the overall value of your pension benefits (from all your pension arrangements, not just the Scheme) at retirement or death exceeds this Lifetime Allowance, certain tax charges will apply.

Normal Retirement Date - Your 65th birthday or any other date that the Association, the Federation and the Union agrees is your Normal Retirement Date.

Pensionable Service - Service while you are contributing to the Scheme and includes any period during which you are not required to contribute to the Scheme because your benefits exceeds HMRC limits.

Service - Service means employment with an employer participating in the Scheme.

Scheme Year - A period of 12 months ending on 5 April.

State Basic Pension Scheme - Everyone who has paid enough National Insurance Contributions qualifies for the State Basic Pension from State Pension Age.

State Second Pension (S2P) - This provides a pension based on an employee's earnings between the Lower Earnings Limit and Upper Earnings Limit throughout his/her working life.

State Pension Age - This is age 65 for men. For women born before 6 April 1950 it is age 60 and for women born after 5 April 1955 is 65. For women born between those two dates, State Pension Age is between age 60 and 65 - the actual age depends on date of birth. Irrespective of when you reach State Pension Age, your pension from the Scheme is payable from your Normal Retirement Date.

Joining the Scheme

Eligibility

If you are employed in any capacity within the Industry and are aged 16 or over but are under age 65 then you are eligible to join your Scheme.

Automatic Entry

The respective Joint Industry Boards for England and Wales and Scotland and Northern Ireland have decided that all employers in the Industry should operate the Scheme (or an equivalent private scheme) and that all plumbing operatives and apprentices under Normal Retirement Date should AUTOMATICALLY join the Scheme. All other eligible employees may join the Scheme with the consent of the Trustee and their employer.

Opting Out

You have the right to opt out of the Scheme in favour of either a personal pension arrangement or simply to rely on the State Pension. New employees who wish to exercise this right should advise their employer at the outset. Existing members may exercise this right provided they give at least one month's notice in writing to their employer and the Trustee. Members considering opting out of the Scheme should remember:

- you will earn no further pension benefits under the Scheme for yourself or your dependants;
- you will not be covered for lump sum death-in-service benefits;
- you are unlikely to receive the benefit of an employer contribution to any personal pension scheme other than any minimum which may be required by legislation;
- your National Insurance Contributions will normally be deducted at the higher contracted-in rate; and
- you may rejoin only with the permission of your employer and the Trustee.

ANY DECISION TO OPT OUT REQUIRES VERY CAREFUL CONSIDERATION

Cost of Membership

Member Contributions

You contribute 3.75% of your total gross earnings (except that contributions are not payable on holiday pay and sickness and accident benefit under the Industry Holiday and Sickness and Accident Benefit Schemes, or on Statutory Sick Pay).

Employer Contributions

Your employer contributes 7.5% of your total gross earnings (as defined above). All contributions are sent by your employer to the Trustee which is responsible for the investment of the Scheme assets and for the payment of benefits to members and their dependants.

Tax Relief

Because the Scheme is a registered scheme for the purpose of approval by HMRC you will receive tax relief on your contributions. This is given automatically under the PAYE tax system when your employer deducts your contributions from your total gross earnings.

Contracting-out of the State Second Pension Scheme (S2P)

As a member of the Scheme you do not participate in the State Second Pension Scheme (S2P). You are “Contracted-out”. As a result you pay lower National Insurance Contributions. In order that members of a pension scheme may be “Contracted-out”, the Scheme has to provide better overall benefits than a reference scheme described in the relevant legislation. The Scheme Actuary has certified that the Plumbing Industry Pension Scheme benefits are more valuable overall than those of the reference scheme.

“Contracting-out” does not affect your state basic pension.

Additional Voluntary Contributions

You may pay Additional Voluntary Contributions (AVCs) to increase your own retirement benefits up to the maximum permitted by HMRC.

The AVC provider is Prudential Assurance Company Ltd and there is a choice of investments available to members. Further details and an application form are available from the Administration Department at the address shown on page 1 of this booklet.

Higher Benefit Scales

While most members of the Scheme will contribute at the Basic Rate of 3.75%, there are three additional Higher Benefit Scales available. These are used by employers, at their own discretion, to allow employees to accrue higher benefits in return for increased contributions.

Your Pension

Pension Credits

Your Scheme operates a system of Pension Credits based on earnings during each year of contributory scheme membership.

At the end of each tax year (i.e. 5th April) you are allocated a Pension Credit equal to 1.25% of your total gross earnings for the year. This is added to any previous Pension Credits allocated to you, together with the bonus due on your Pension Credits (if any) accumulated at the beginning of the year.

Bonus additions are granted on Credits in respect of contributions before 6th April 2004 in line with the percentage increase in National Average Earnings for the previous Scheme Year (as determined in accordance with the most recent order made under Section 148 of the Social Security Administration Act 1992). Bonus additions are granted on Credits in respect of contributions after 5th April 2004 in line with price inflation. The Trustee has discretion to award additional bonuses depending on the investment performance of the Scheme.

Certificates of Pension Credits

Each year you will receive a Certificate of Pension Credits. This shows the cumulative position, the amount of bonuses added and your total Pension Credits as at 5th April in that year.

Pensions From a Previous Employer

Before joining the Scheme, some members will have belonged to a pension arrangement operated by a previous employer. On leaving that arrangement they may be entitled to a deferred pension which will eventually become payable on the Normal Retirement Date for that arrangement.

At the discretion of the Trustee it may be possible to transfer the value of the deferred pension into the Scheme to secure additional Pension Credits, which will qualify for bonus additions annually in line with price inflation, and so increase your retirement benefit.

If you would like further information, or guidance, on this option please contact the Benefits Department at the address shown on page 1 of this booklet.

When You Retire

Normal Retirement Date

The date on which your pension will normally start is your 65th birthday.

Pension at Normal Retirement Date

The annual amount of your pension at Normal Retirement Date is the total of the Pensions Credits which you have built up over the years you have worked in the Industry and contributed to the Scheme, less the amount of Pension Credits used to provide you with a cash sum on retirement.

Your pension will not be less than your Guaranteed Minimum Pension (GMP) (see page 8) which is calculated by HMRC. It is likely that your Scheme pension will be more than this, but the law requires that you be given this guarantee.

If your earnings keep pace with inflation, your pension at normal retirement could be approximately 1.25% of your earnings close to retirement for each year of membership i.e. 12.50% after 10 years, 25% after 20 years and so on.

Cash Lump Sum on Retirement

When you retire you may normally convert part of your pension to a retirement lump sum. Generally up to 25% of the value of any pension benefit within your Lifetime Allowance (LTA), (including any AVCs) can be taken as a Retirement Lump Sum.

Payment of Pension

Your pension will be paid monthly direct to a bank or building society account of your choice. The Benefits Department will contact you about 6 weeks before your Normal Retirement Date to explain your pension benefits.

Pension Increases

Once in payment your pension will increase as follows:

Your pension credits in respect of service before 6 April 1997 other than your GMP (see below) receives no guaranteed increases.

Your pension credits in respect of service between 6 April 1997 and 5 April 2005 receives increases in line with the lesser of price inflation and 5% per annum.

Your pension credits in respect of service after 5 April 2005 receives increases in line with the lesser of price inflation and 2.5% per annum.

If you were a member prior to 6 April 1997 you may have a Guaranteed Minimum Pension (GMP). This part of your pension will receive increases according to when it was earned. GMP built up before 6 April 1988 is not increased by the Scheme because it is normally eligible to be increased by the State and the increase on that part of your total entitlement is paid in addition to your State Basic Pension. GMP built up after that date increases in line with inflation subject to a limit of 3%.

Under the Scheme Rules the Trustee also has power to grant additional increases in respect of pensions not yet in payment and in respect of pensions in payment.

Increases to any pensions derived from additional voluntary contributions or special contributions by an employer or member or transfer from other pension schemes will not increase as set out above but will increase in accordance with the terms on which they were granted.

Early Retirement

Ill-health

If you are forced to retire at any age due to Incapacity which prevents you from continuing to work or follow any trade for profit or pay, then an immediate pension may be payable at the discretion of the Trustee. This pension will be calculated as described above under Pension at Normal Retirement Date. The calculation of the amount of cash lump sum on ill-health retirement is the same as under normal retirement.

The Trustee will obtain evidence of continued incapacity at intervals of not more than three years until you reach Normal Retirement Date.

If you retire with an incapacity pension and your health improves, your pension may be reduced or suspended.

Normal Health

If you are in normal health you may choose to retire any time after age 50 (55 from 6th April, 2010).

The Trustee may allow you to choose an immediate pension on leaving after age 50 (55 from 6th April 2010).

The Scheme Rules require that the part of your pension equal to your GMP will be payable from State Pension Age. The balance of your pension may likewise be deferred to commence at that age or alternatively a reduced pension may be payable from the date of your actual retirement. The reduction factor is calculated by the Scheme Actuary and allows for early payment and the likelihood that it will be payable over a longer period than might otherwise have been expected.

The calculation of your cash lump sum on early retirement in normal health is as described under normal retirement.

Late Retirement

If with the consent of your employer, you continue working after you reach Normal Retirement Date, you may continue contributing to the Scheme and earn further Pension Credits. When you retire, your Pension Credits earned up to Normal Retirement Date will be actuarially increased from Normal Retirement Date to your actual retirement date although Credits earned after Normal Retirement Date will not be increased for late payment.

Guaranteed Minimum Pension (GMP)

This is approximately the pension you would have earned under the State Earnings Related Pension Scheme (SERPS) prior to 6th April, 1997 if you had not been “Contracted-out” of it. There is also a spouse’s Guaranteed Minimum Pension. No Guaranteed Minimum Pension builds up in respect of pensionable service after 6th April, 1997.

Unless stated otherwise, the GMP, if any, is included in any pension figures given to you.

Leaving the Scheme

If you leave the Scheme before Normal Retirement Date the following will apply:

Refund of Contributions

If you leave and have been in the Scheme for less than 3 months you will receive a refund of your contributions less the cost of reinstating your rights into the State Second Pension (S2P) paid to HMRC. The balance of your contributions will then be refunded to you with interest but less a deduction of tax, currently 20%. You will not be entitled to any other benefits from the Scheme.

Preserved Pension

If you have at least 3 months service in the Scheme your Pension Credits will be preserved in the Scheme and will continue to increase with bonus additions as a result of the Revaluation laws. Should you rejoin the Scheme your new employer will simply continue to operate the Scheme as before.

Cash Equivalent or Transfer Payments

As an alternative to leaving their pension credits in the Scheme, members leaving service or opting out of the Scheme may have a transfer payment made to another registered pension arrangement, such as a new employer's pension scheme, an individual buy-out policy with an approved insurance company, or a personal pension plan of their own choice. If you wish to exercise this option, you will be provided with a statement of the guaranteed cash equivalent (the term for the transfer value you are entitled to under statute) quoting the transfer value which would be payable, and giving instructions on how to go about exercising the option. Requests for guaranteed cash equivalents can only be made once every 12 months, and if you wish to go ahead with the transfer, you will be required to reply within 3 months of the date the quotation is given. Further details will be provided on request from the Benefits Department at the address shown on page 1 of this booklet.

The Transfer Value is calculated in accordance with the instructions provided by the Scheme Actuary and is the current cash value of your pension credits. The Transfer Value is calculated by discounting the expected future benefit payments at an assumed rate of interest, this being advised by the Scheme Actuary. The calculation takes into account the rate at which the pension credits are guaranteed to increase before benefits become payable and the rate at which it is intended to grant increases once they are in payment. No account is taken of any other discretionary benefit increases. The transfer value is also based on current investment conditions. As investment conditions change, so do transfer values – they can increase or decrease over time.

Benefits Payable on Your Death

Death In Service Before Normal Retirement Date

If you die while in service and before Normal Retirement Date, the following benefits are payable:

Lump Sum Benefit

A lump sum equal to the greater of twice your pensionable earnings in the last complete Scheme year prior to death or twice your graded rate of wages at the date of death based on a 52 week year. To qualify for this benefit you must be a contributing member at the time of death.

If you have been a Contributing Member for a total period of at least 52 weeks, not necessarily continuous, but of which at least 8 weeks were during the period of 12 weeks immediately prior to your commencement of unemployment or absence from work due to sickness or injury, you will continue to be covered for this benefit for up to:

- 8 weeks after you became unemployed and have not yet found another job, or
- 104 weeks during which you have been off work due to sickness or injury. The period of 104 weeks shall apply from the date on which regular and systematic contributions cease and not from the date from which you are first absent from work.

The Trustee has a discretion to decide which of your beneficiaries should receive the lump sum. Please ensure that you have completed and returned a copy of the confidential Expression of Wish Form which you can obtain by contacting the Benefits Manager at the address on page 1 of this booklet.

Pension For Spouse or Civil Partner

If you die leaving a surviving spouse or civil partner he or she will receive a pension equal to 50% of the pension you would have received if you had reached Normal Retirement Date on the day immediately before the date of your death. This pension will be made up to at least £22 per month for a period of 5 years if you have been contributing to the Scheme throughout the 26 weeks immediately before the date of your death.

If your spouse or civil partner is more than 10 years younger than you, the pension will be reduced. This pension will cease on the death of your spouse or civil partner.

In any event, the pension payable by the Scheme to your spouse or civil partner will be not less than half your Guaranteed Minimum Pension (GMP).

Children's Benefits

If you are a contributing member, a children's pension equal to 1% per annum of the lump sum death benefit of an Advanced Plumber (basic scale) will be made in respect of each of your children (up to a maximum of 4) until he or she reaches 18 years of age. If your spouse or civil partner who is receiving a pension under the Scheme dies leaving one or more children under 18 years of age, the total children's pension will be increased to the amount of the spouse's pension at date of death.

Dependant's Pension

If you do not leave a spouse or civil partner on your death or if you are unmarried at date of death a pension equal to the amount which would have been payable to a spouse or civil partner may be paid to any adult who was financially dependent on you.

Death In Service on or After Normal Retirement Date

A lump sum death benefit is payable. This lump sum will be calculated as described under Death in Service before Normal Retirement Date. If you have reached Normal Retirement Date and were in service on 1 December 2006, the lump sum amount will not be lower than the sum of the maximum retirement lump sum that you could have taken if you retired just before your death plus the 5 years' payment of the pension you would have been paid if you had retired just before your death and survived for 5 years after retiring. This 5 year's pension will not include any increases and will also be reduced for early payment.

Pension For Spouse or Civil Partner

If you die while in service on or after Normal Retirement Date leaving a surviving spouse or civil partner, he or she will receive a pension equal to 50% of the pension you would have received if you had retired immediately before your death without converting part of your pension for a retirement lump sum. Generally, this pension will be made up to at least £22 per month for 5 years or such amount as the Association, the Federation and the Union decides, if you have been contributing to the Scheme throughout the 26 weeks immediately before the date of your death.

Children's pension and Dependant's pension will be calculated as described above under Death in Service before Normal Retirement Date.

Death in Deferment

If you keep your pension in the Scheme when you leave but die before you start to draw it, a lump sum benefit will be payable equal to the total of your contributions to the Scheme together with interest. A Spouse's, Civil Partner's or Dependant's Pension equal to 50% of the total of your preserved pension at the time of your death will also be paid.

Death After Retirement

On death after retirement your spouse or civil partner will receive a pension equal to 50% of your pension in payment at the date of your death. If you retired after 5th April, 1999, your spouse or civil partner would receive a pension of 50% of your full pension payable at retirement revalued to date of death even if you had exchanged part of your pension for a tax-free lump sum.

If you die within 5 years of your retirement a lump sum will be payable equal to the value of the pension payments which would have been paid during the balance of the 5 year period, reduced to take account of early payment and disregarding any future pension increase.

Conditions similar to those set out for Death in Service before Normal Retirement Date apply in respect of Children's and Dependents' benefits and in respect of a spouse or civil partner who is more than 10 years younger than you.

Family Leave

Pension rights continue to accrue during periods of Family Leave as detailed below.

Legislation requires that during periods of Ordinary Maternity, Adoption and Paternity Leave and paid Additional Maternity, Adoption and Paternity leave that pension benefits accrue in the Scheme as if the member was receiving normal pay.

During these periods the member is only required to pay employee contributions on the earnings he or she receives. The employer however is required to pay employer contributions on the earnings the member 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 member's actual earnings. In the case of Ordinary Maternity, Adoption and Paternity leave, where the member is not in receipt of statutory or contractual pay, the employer is required to pay both the employer and employee contributions on the earnings the member would have received if working normally.

During any periods of unpaid Additional Maternity, Adoption and Paternity Leave no benefits will accrue therefore no employee or employer contributions are payable.

During any period of paid Parental Leave, benefits only accrue on the actual earnings received.

Additional Information

Under the Occupational Pension Schemes (Disclosure of Information) Regulations, 1996, you should also be aware of the following information.

All benefits paid as a result of membership of the Scheme are provided from the assets of your Scheme. Consequently, the contribution rates and funding levels of the Scheme are subject to regular reviews. Whilst it is the intention of participating employers to maintain the funding levels of the Scheme at a level appropriate to pay the benefits described in this booklet, they have not entered into any contractual obligations to meet benefits if the Scheme's resources are insufficient to do so.

All lump sum Death in Service benefits are payable at the discretion of the Trustee which means that they will not form part of your estate for tax purposes.

Resolving Disputes

As required by the Pensions Act 1995, the Scheme has an internal procedure for resolving any disputes which may arise. This is a two stage process. In the first instance, you must address your complaint to the Pensions Manager at 4 Walker Street, Edinburgh EH3 7LB, and he will refer it to a sub-committee of the Trustee board. In normal circumstances, you will receive a full response within 2 months. If this is not possible, you will be told why there will be a delay and provided with an estimated date for our decision. If you are dissatisfied with this response, you will be entitled to refer the matter directly to the full Trustee board within 6 months of receiving it. The Trustee will then reply directly to you, where possible within 3 months. Also, if this is not possible, you will be told why there will be a delay and provided with an estimated date for the Trustee's decision.

Hopefully, any dispute will be sorted out by the Pensions Manager or the Trustee. However, if this is not possible, you will be able to contact The Pensions Advisory Service (TPAS) or the Pensions Ombudsman.

The Pensions Advisory Service (TPAS)

TPAS is available to assist members and beneficiaries of the Scheme with any query or dispute they have with the Trustee and which they have failed to resolve. TPAS is an independent and voluntary organisation providing free advice and assistance to members of the public who have a problem concerning an occupational or personal pension.

TPAS can be contacted at:

The Pensions Advisory Service,

11 Belgrave Road, London SW1V 1RB.

Tel: 0845 601 2923 Email: enquiries@pensionsadvisoryservice.org.uk.

Pensions Ombudsman

If TPAS is unable to resolve a problem, application can then be made to the Pensions Ombudsman for an adjudication. The Pensions Ombudsman is appointed under Section 145(2) of the Pension Schemes Act 1993. He is able to investigate and determine any complaint or dispute of fact or law in relation to the Scheme. He may be contacted at the same address as TPAS, but his telephone number is 0207 834 9144 or can be contacted by email: enquiries@pensions-ombudsman.org.uk. The Ombudsman will normally expect you to have approached TPAS and/or to have used the Scheme's own dispute resolution procedure before contacting his office.

The Pension Tracing Service

The Pension Tracing Service can help trace an old pension for you. If you have changed jobs a number of times through your working life, it can be easy to have lost contact with a previous employer and their pension scheme.

The Pension Tracing Service has access to a database of over 200,000 occupational and personal pensions and can be used, free of charge, to search for a scheme.

The Scheme is registered with the Pension Tracing Service.

The Pension Tracing Service can be contacted at:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle-upon-Tyne, NE98 1BA
Tel: 0845 6002537 Web: www.thepensionservice.gov.uk

The Pensions Regulator (TPR)

The Scheme is regulated by TPR.

TPR can help you if you think the Trustee, your employer or the professional advisers have failed in their duties. It also encourages high standards and good practice in running pension schemes.

TPR can be contacted at:

The Pension Regulator
Napier House
Trafalgar Place
Brighton
East Sussex, BN1 4DW
Tel: 0870 606 3636 Email: customersupport@thepensionsregulator.co.uk
Web: www.thepensionsregulator.gov.uk

Pension Protection Fund (PPF)

The PPF was set up in April 2005. Its purpose is to protect the pensions of most members of defined benefit schemes whose employers get into financial difficulties and leave a scheme without enough money to pay the pensions in full.

The PPF may take over the payment of benefits, subject to certain limits, to members. To help provide the necessary funding we have to pay a levy each year to the PPF.

The PPF can be contacted at:

Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon
Surrey, CR0 6SR
Tel: 0845 600 2541 Email: information@PPF.gsi.gov.uk
Web: www.pensionprotectionfund.org.uk



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