

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.