

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. The previous formal statement was circulated in October 2008, and there was an informal update in October 2009.

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. The 2009 result is similar to that from the previous formal assessment which was carried out as at 5 April 2006, which showed that the assets at that time covered 100% of the liabilities.

The Scheme's funding position has deteriorated since the previous summary funding statement was issued to you in October 2008. The actuarial report as at 5 April 2008 showed that the assets covered liabilities by about 109%, again on an ongoing basis. The main reason for the deterioration is the lower than anticipated returns on the Scheme's investments.

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.

We will write to you again in October 2010 with an update on the Scheme's funding position as at 5 April 2010.

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, 4 Walker Street, Edinburgh EH3 7LB.