



# Employer Roadshow 2024

Double Tree Manchester

2<sup>nd</sup> May

Novotel, Edinburgh

3<sup>rd</sup> May

Start time 10am



**Plumbing Pensions  
Employers Limited**

# Welcome



# Speakers



Chair of Plumbing  
Pensions Employers



Actuarial consultant to  
Plumbing Pensions  
Employers



Director of Plumbing  
Pensions Employer



Chief Executive of  
Plumbing Pensions

# Agenda



Employer Company update



Journey plan

2023 Actuarial Valuation  
Investment Strategy  
'Lock-in' rule



Q&A



Employers only session

# Board



Dene Heywood

**Independent  
Chair**



Rudi Klein

**SNIPEF  
Appointed**



John Thompson

**APHC  
Appointed**



Allistair Charles

**Employer  
Nominated**

Large  
company  
experience



Gordon Matheson

**Employer  
Nominated**

SME  
company  
Experience



Christopher  
Stuhlfelder

**Employer  
Nominated**

Micro/  
Unincorporated  
business  
experience

# Where have we got to?

## Employer Company update

- Constituted 01 January 2023
- Significant workload and projects completed in year 1
  - Legal Framework
  - Valuation
  - Journey Plan
  - DRC Agreed method of apportioning liability if they are ever needed
  - Employer Helpline

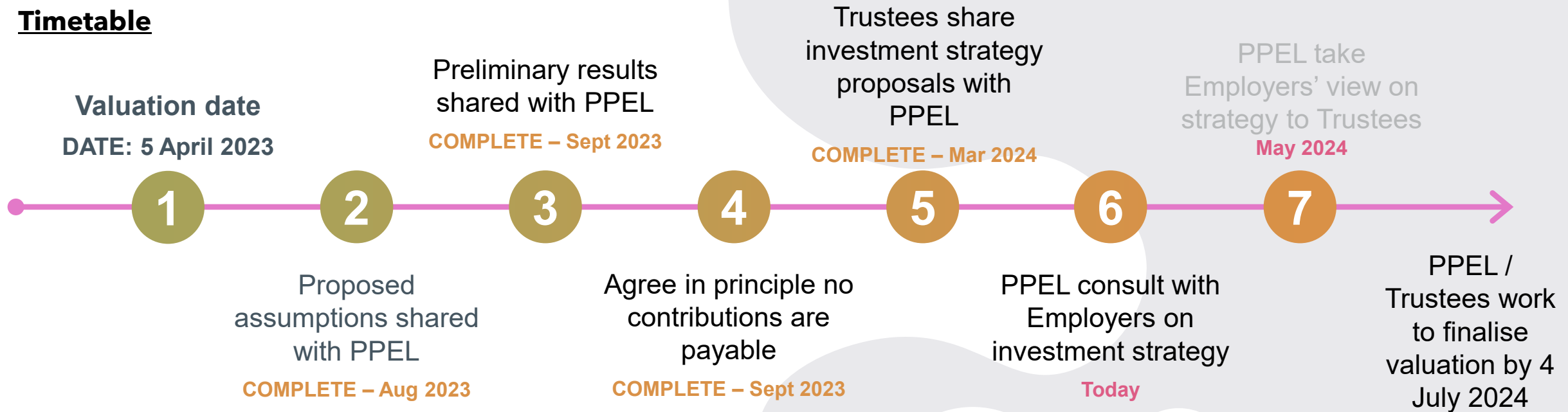
# What you need to know

- 2 key outputs to be agreed through the valuation are:

1. Are contributions payable? **Agreed in principle that no contributions are payable from Employers.**

2. What is the appropriate investment strategy moving forward? **We will explore further today and take your views.**

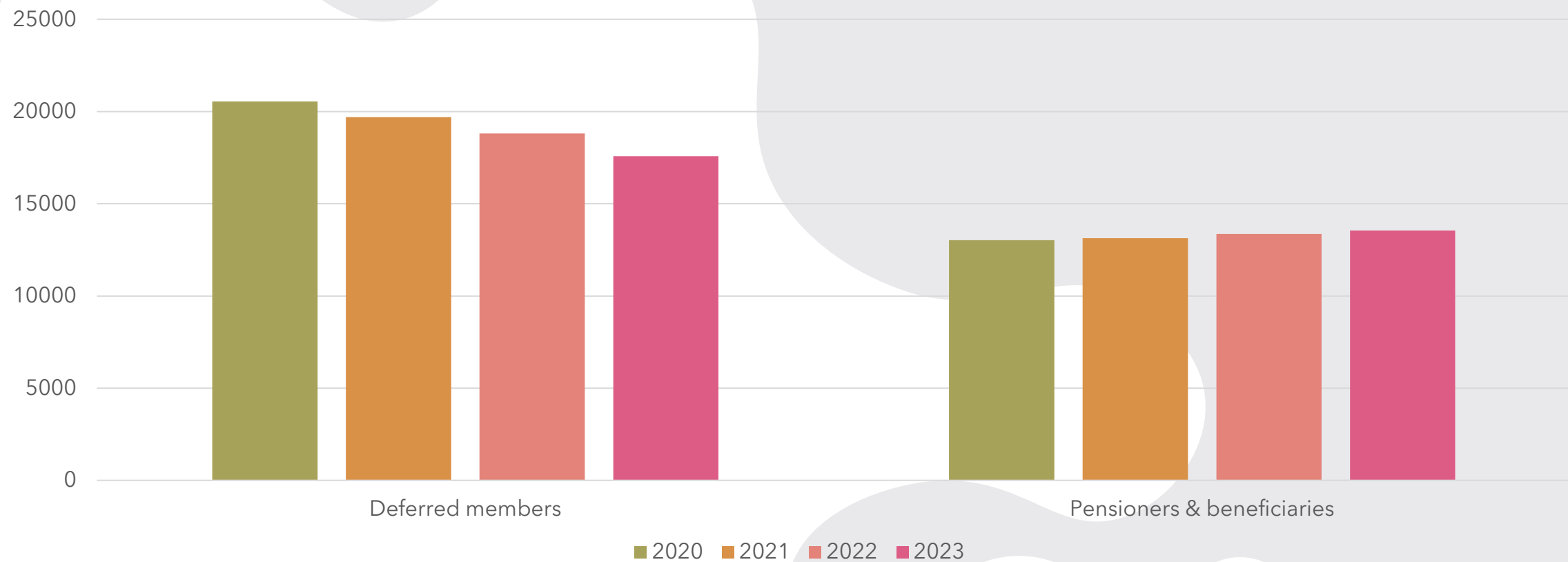
## Timetable



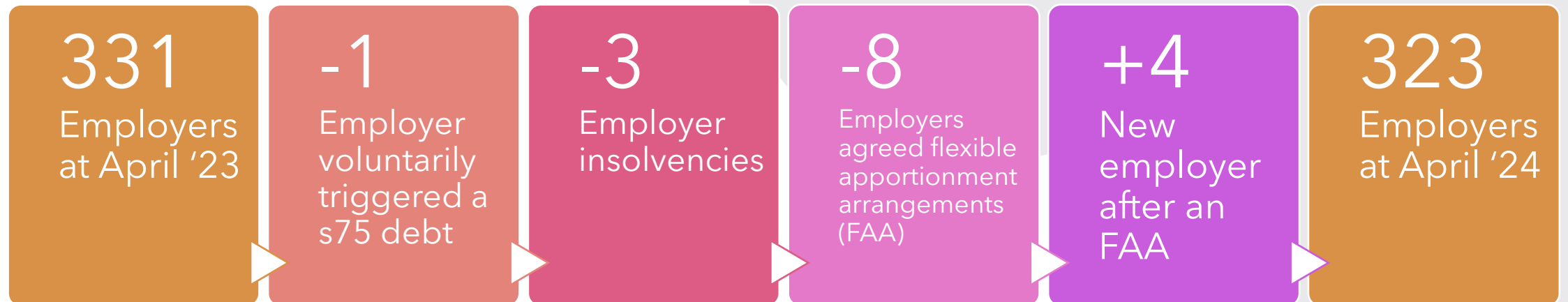
# Trustee Introduction



# Scheme membership



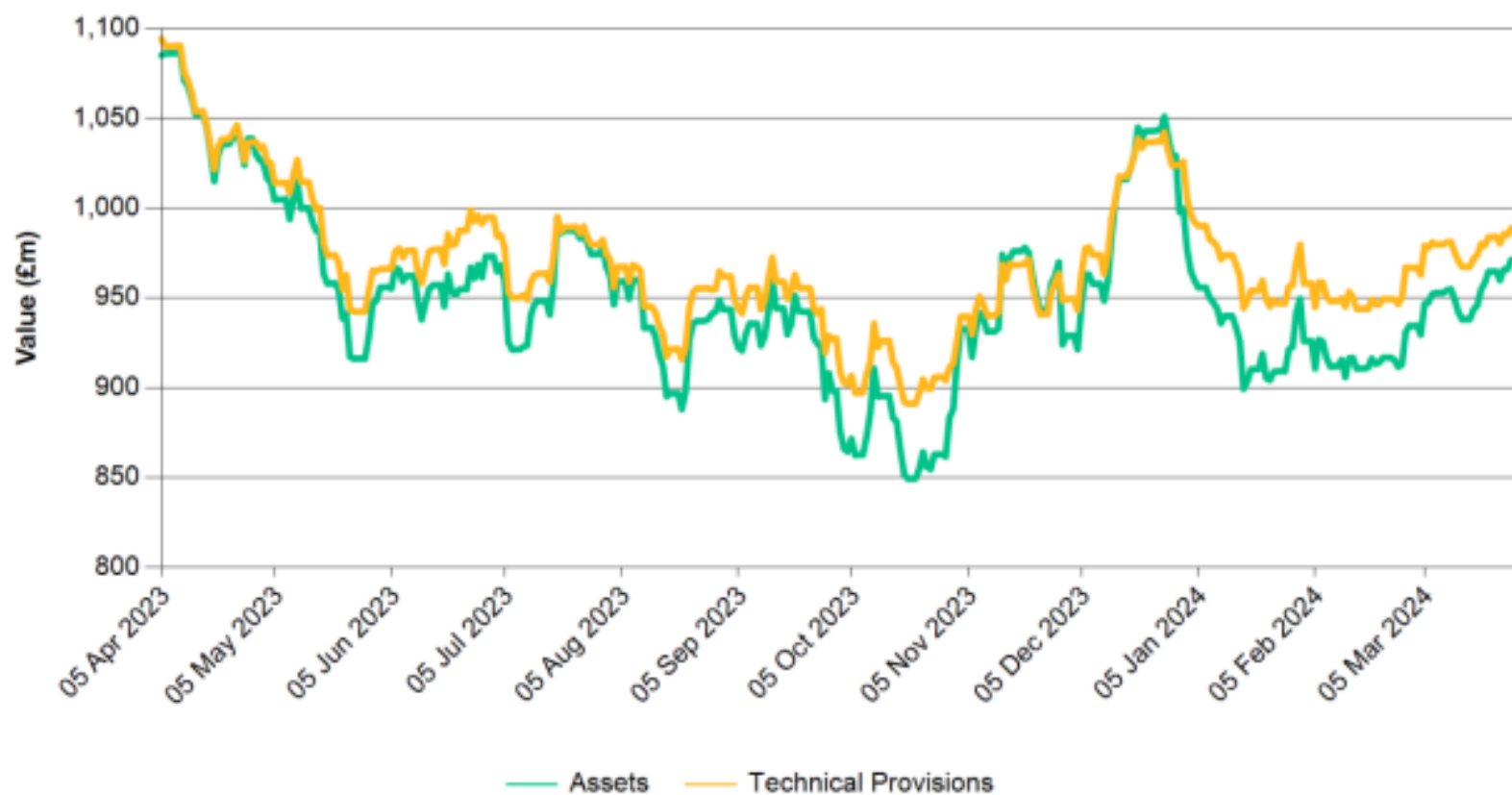
# Employers



# Actuarial Valuation at 5 April 2023

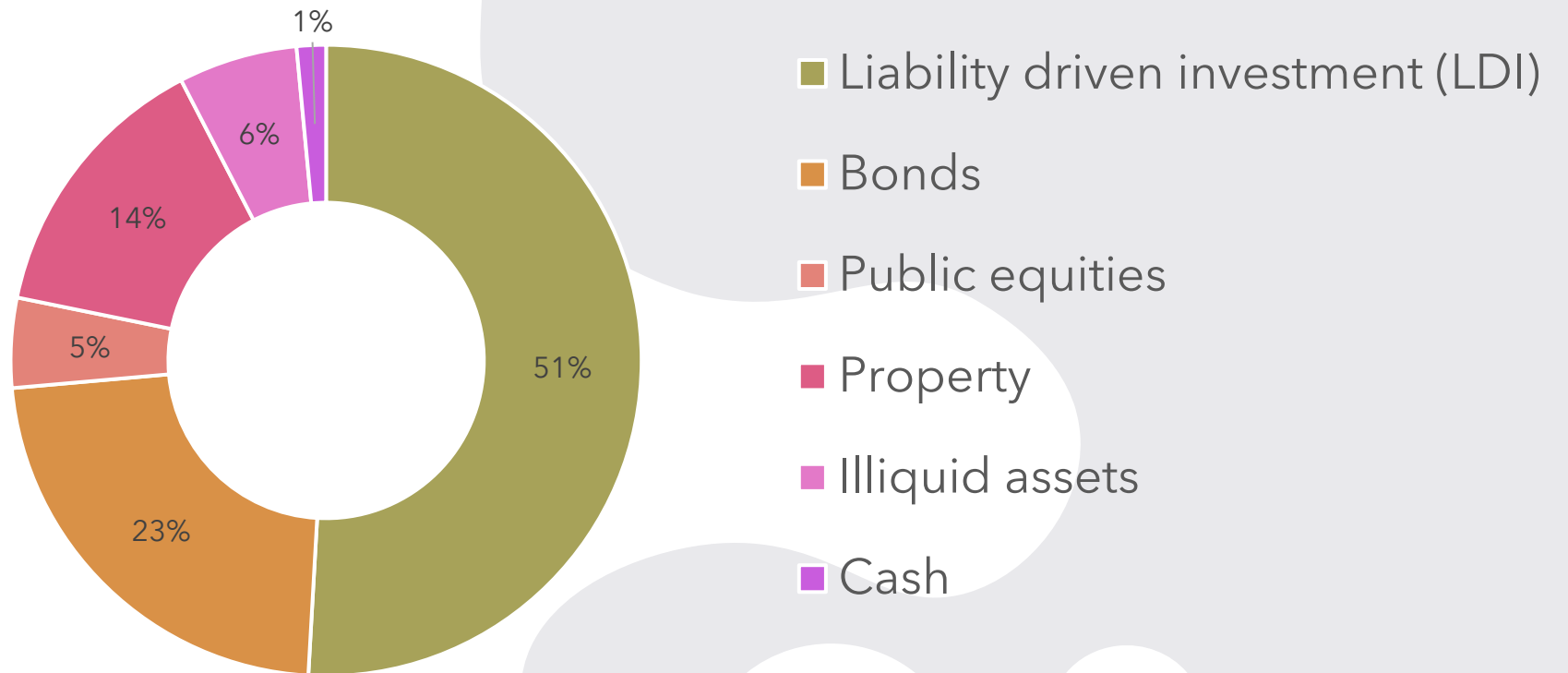
- Scheme assets covered 99% of the liabilities ie a shortfall of £9m.
- Trustee needs to agree a Recovery Plan for this valuation:
  - Proposal allows for investment outperformance & no employer contributions
- Also need to agree how deficit contributions would be shared, if ever needed.
  - The Pensions Regulator says we need to do this
- Section 75 debt estimates are available to employers on request.

# Scheme funding at 31 March 2024



# Investment Strategy

Actual Allocation at 31 December 2023



# Journey Plan

- We've looked at what might happen if we change the investment strategy to target a higher investment return:
  - Could reduce time to buy-out
  - Increases investment risk
  - Increases risk employers might need to pay contributions
- Significant factor is time:
  - As deferred members get older, they become cheaper to insure
- Employer covenant & lock-in rule important

# Lock-In Rule - Trustee perspective

- Prevents employers leaving Scheme without Trustee consent.
- Protects members and shields employers from actions of other employers
- Trustee has asked Employer Company to agree to extend lock-in rule for 3 years.
- Allows time to consider:
  - Scheme journey plan
  - Target investment return
  - A framework for ending lock-in rule
  - Links to triennial actuarial valuation

# Lock-In Rule - PPEL Perspective

Expires on 30 June 2024 unless we renew

## **Why retain?**

It does provide a stronger covenant to allow the Trustees to accept increased investment risk

Supports the last man standing principle of the Scheme -arguably fairer to the majority of employers

## **Renewal cycle**

If an agreed journey plan is in place Plumbing Pensions Employers Limited ("PPEL") are happy to recommend accepting the Trustee's request for a three year lock-in rule.

## **End point**

To be decided. Worst case is at buy-out but PPEL hope to gain agreement that it will occur earlier, once a certain funding level is determined.

An end point earlier than buy-out will be driven by improved scheme performance such that reliance on the employer covenant is significantly reduced



# How you can help the Trustees

- Take a look at the Employer Portal:
  - Important Scheme information
  - Investment & funding updates
  - 1<sup>st</sup> climate disclosures report
- Share your views by responding to Scheme consultations
- Complete the Scheme Return
- Pay your VAT invoice

# PPEL Journey plan and investment strategy

## PPEL objectives

PPEL serves to represent employers in negotiations with the Trustee on all crucial scheme matters and to help develop a strategy to deliver on employers' objectives.

We communicated PPEL's objectives to you last year, these are:

- 1. Risk.** *Managing and mitigating the risk to all Employers of unexpected payments to the Scheme;*
- 2. Exit.** *Providing greater clarity around when and how Employers can exit their financial obligations in relation to the Scheme; and*
- 3. Time.** *Seeking to deliver (2) as soon as possible, balanced against (1)*

# PPEL Journey plan and investment strategy

## 2023 valuation objectives and the purpose of today's session

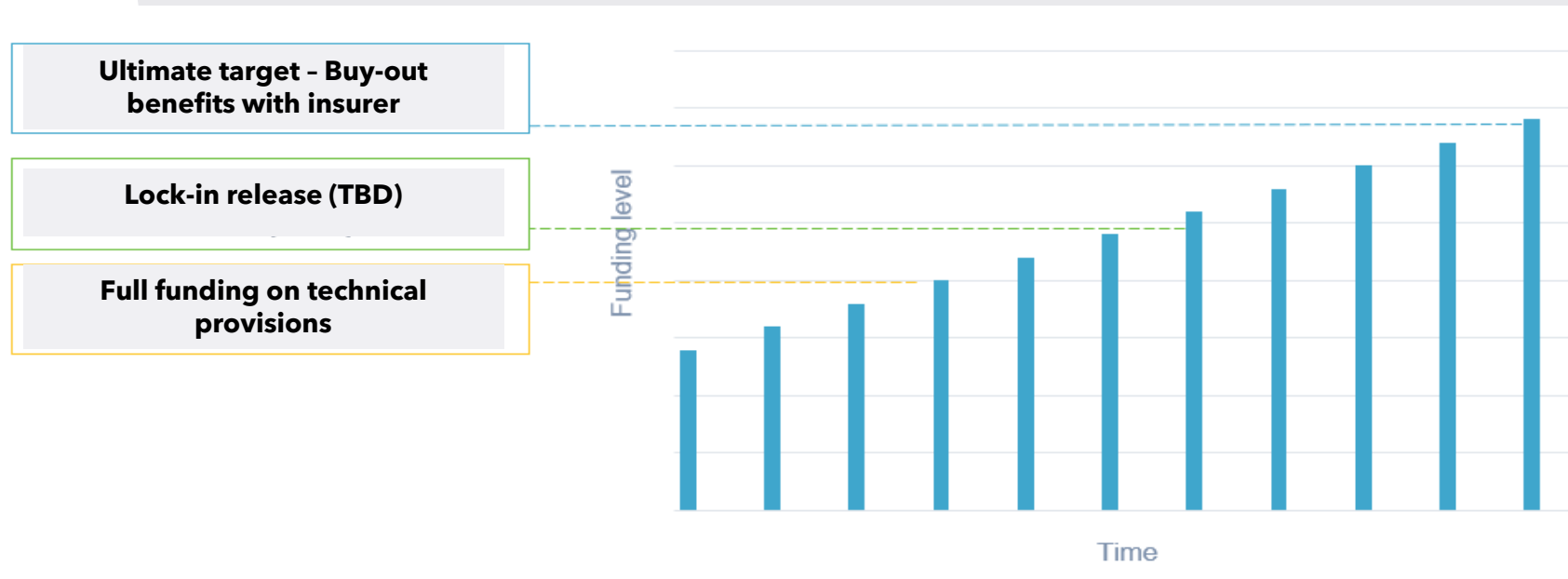
The 2023 valuation allows us an opportunity to work jointly with Employers and the Trustees to help develop a strategy to deliver on these objectives. Here's what we'll cover today in relation to achieving PPEL's objectives:

**1. Risk** - Confirm no contributions payable following 2023 valuation and consider how to manage risk of these being requested in future

**2. Exit** - Outline PPEL's approach to, in time, allowing Employers to leave the Scheme

**3. Time** - Set out options for how we can reduce the time it takes for Employers to be able to leave the Scheme and seek your views

# Scheme journey plan



**Where we are today?** – The Scheme is sufficiently well funded on Technical Provisions so that no contributions are payable.

**What is the ultimate aim?** – As per our objectives, we want to give Employers the opportunity to leave the Scheme as soon as possible. Reaching insurer buy-out funding (the ultimate target) would allow Employers to leave at no cost on exit. This is therefore our long-term goal and today we want to get your views on the best strategy to help us reach this target.

**Lock-in rule / earlier exit?** – PPEL remain committed to exploring with the Trustee whether it would be possible for the lock-in rule to be removed before reaching insurer buy-out.

# How can we reduce timeframe to buy-out?

We know exiting the Scheme is a priority for many Employers. There are 3 key levers that can be used to reduce the timeframe to buy-out - **Contributions, Investment** and **Covenant**. Using these, PPEL is looking to agree a package with the Trustee to work towards reaching buy-out.



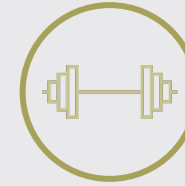
## CONTRIBUTIONS

Gathering contributions from Employers would reduce timeframe to buy-out.



## INVESTMENT STRATEGY

Increasing expected returns on assets will reduce the expected timeframe to reaching buy-out. In turn it will also increase the potential downside risk should there be negative investment outcomes.



## COVENANT

Having a stronger employer covenant allows the Scheme to take more investment risk, on the basis that should the funding position deteriorate there would be sufficient backing from employers to meet benefit promises.

# Investment strategy considerations

## Our decision to be made

PPEL wants to deliver a strategy which will allow Employers to exit the Scheme through an insurer buy-out as quickly as possible. However, it is important that we balance this against the risk of contributions, which may not be affordable for Employers, being required.

## How has the Scheme progressed from 2020 to 2023?

	2020 Valuation	2023 Valuation
<b>Employer contributions</b>	None payable	None payable
<b>Timeframe to buy-out</b>	c.20 years	Between 11 years and 16 years. Depending on investment strategy discussions to follow.

# Investment strategy considerations

## How can we decide on an investment strategy?

On the next slide we look at a range of investment strategy options and compare them using the following:

**Timeframe to buy-out** - desirable to reduce this but must be balanced against risk of timeframe extending or contributions if Scheme funding is blown off course.

**Contributions payable in bad outcome** - using standard models we have shown examples of the contributions that may be payable if we are blown off course. These increase as the investment risk / expected return on assets increases.

**Timeframe to buy-out in bad outcome** - if we are blown off course, we show the revised timeframe for reaching buy-out under the same strategy.

# Investment strategy options

	Lower risk (Current strategy)	Medium risk	Higher risk
Assuming funding and investments remain on course			
<b>Years to buy-out</b> -average expected outcome	16	13	11
<b>What if we are badly blown off course? Funding position if the worst 5% of potential outcomes occurs*</b>			
Increase in deficit in a worst 5% of potential outcomes	£70m	£94m	£112m
Example of Employer contributions to meet the above deficit assuming s75 debt of c£0.8m and that contributions paid for 5 years).**	£42k p.a.	£57k p.a.	£68k p.a.
Other considerations	If blown off course, the timeframe to buy-out may increase under each of these strategies		

\* Considers the Scheme funding position if 1 in 20 Value at Risk event occurs. See appendix for further details on Value at Risk

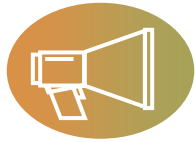
\*\* Contributions would be split between Employers based on their s75 debt. For purposes of illustration, we have included contributions for an Employer with a s75 debt of £0.8m as at 5 April 2023.

**PPEL view** - We believe a move to "Medium" or "Higher" risk represents a good balance between reducing the timeframe to buy-out and an increased risk of contributions. We are minded to explore with the Trustees whether they are willing to adopt the "Higher risk" strategy, but we are keen for your views before doing so.



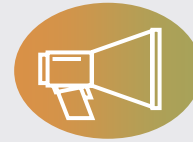
# Key considerations for Employers

Some questions for Employers to help form a view....



## Timeframe to reach Buy-out

1. Do you have a strong preference to reach Buy-out, and therefore a release from your obligations to the Scheme, more quickly?
2. Does the reduction in timeframe delivered by the higher risk investment strategies (from 16 years to 11 years), merit the risk of a longer timeframe?



## Risk of contributions becoming payable

1. Would the annual contributions shown under a bad investment outcome be acceptable?
2. Are the contributions under the lower risk investment strategy acceptable but the higher risk strategy contributions are unacceptable?

**PPEL asks Employers for views on their preferred investment strategy?**

# Next steps

## Our ask of you as an Employer

PPEL and the Trustee have until 4 July 2024 to finalise the valuation to meet the Pension Regulators deadline. The valuation itself is largely agreed in principle however, at the same time, we are aiming to agree to the ultimate target, investment strategy to get there and how the lock-in rules fits into the strategy.

**PPEL therefore seeks your views on the detail shared today**, particularly in relation to:

- Buy-out being the ultimate target for the Scheme to allow Employers to exit

- The proposed extension to the lock-in rule to 30 June 2027

- The investment strategy options

Once we have collated your views, PPEL will consider and take a formal proposal to the Trustees regarding the future investment strategy

## How you can provide your views

We will be issuing a survey following the Roadshow by 10 May 2024 and you will have until 16 May 2024 to share your feedback.

PPEL will use the input you provide as part of the ongoing negotiations with the Trustees.

For further information, questions and clarifications please contact Stephen Graham ([stephen.graham@ppemployers.co.uk](mailto:stephen.graham@ppemployers.co.uk), 0131 556 9090)



**Open  
session  
Q&A**



# Session 2

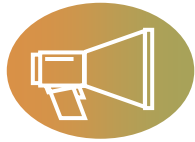
Employers only

# Agenda

- Employer Company views on journey plan
- Process for electing Director
- Any other business

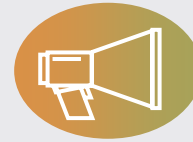
# Journey Plan: Key considerations for Employers

Some questions for Employers to help form a view....



## Timeframe to reach Buy-out

1. Do you have a strong preference to reach Buy-out, and therefore a release from your obligations to the Scheme, more quickly?
2. Would you be willing to adopt a higher risk strategy, which we expect on average will reduce the timeframe to buy-out, however if things go wrong in investment markets, could lead to an even longer timeframe?



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# Employers Q&A



# Director election

The next election for a Director 2024:

Date	Activity
<b>21 October</b>	Employers will be asked to put forward nominees for election along with short profiles for each candidate.
<b>11 November</b>	Closing date for prospective candidates to put forward their names and profiles.
<b>25 November</b>	Candidate profiles will be issued to employers and polling will open. This will be done via <a href="https://ppemployers.electionrunner.com">ppemployers.electionrunner.com</a> .
<b>16 December</b>	Polling will close and the Directors of Plumbing Pensions Employers will select the candidate.
<b>23 December</b>	Announcement will be made via the Employer News section of the Scheme Website giving the name and profile of the new Director.

If you wish to put forward a name to be included as a candidate please send their name, which employer they are associated with and a short profile to [enquiries@ppemployers.co.uk](mailto:enquiries@ppemployers.co.uk).

**NOTE** If only one candidate is put forward, and assuming there is nothing to prohibit that candidate from taking the role, there will be no voting process.

# Thank you for attending

For general queries to the Employer Company [enquiries@ppemployers.co.uk](mailto:enquiries@ppemployers.co.uk)

For general queries to the Trustee [employersupport@plumbingpensions.co.uk](mailto:employersupport@plumbingpensions.co.uk)

For specific confidential matters [dene.Heywood@ppemployers.co.uk](mailto:dene.Heywood@ppemployers.co.uk)

Reminder about Employer Legal Information Helpline

Where the video will be available [www.plumbingpensions.co.uk/employer/roadshow2024](http://www.plumbingpensions.co.uk/employer/roadshow2024)