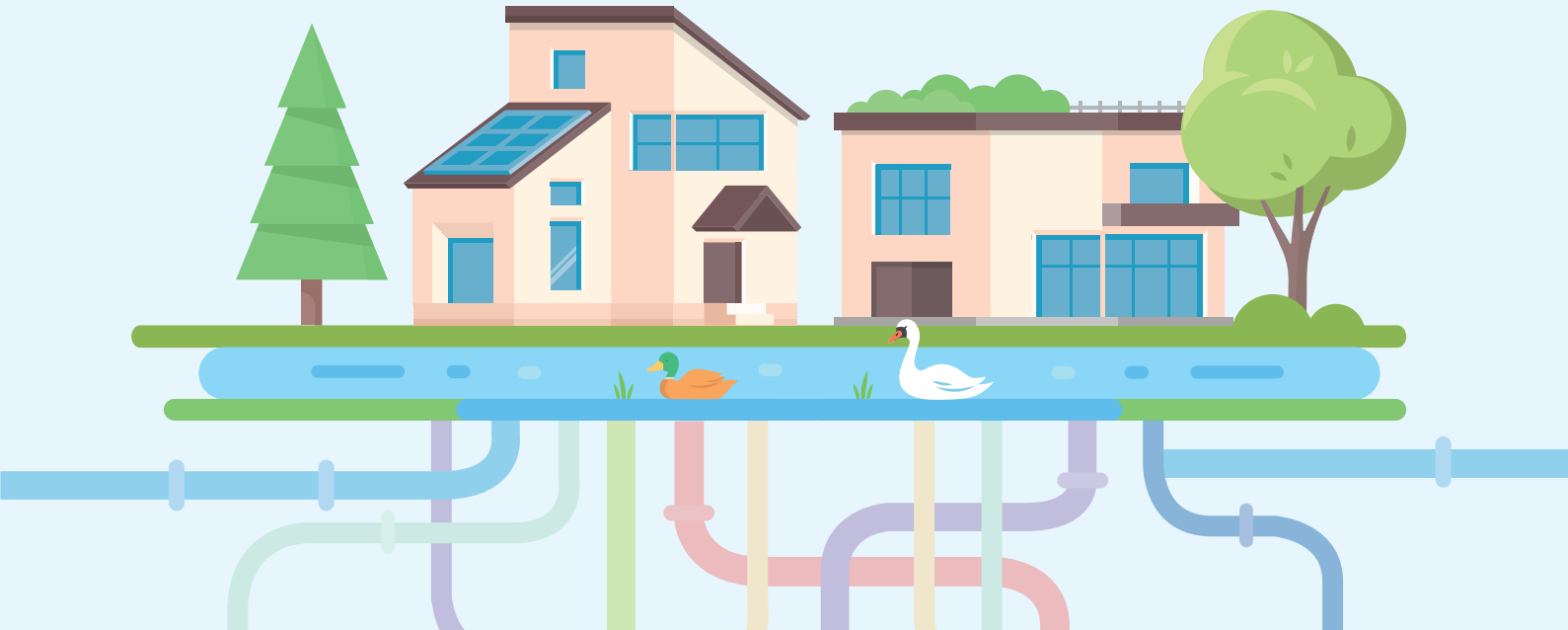


Member Update

January 2020



Chairman's update



Welcome to the latest Update for the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Scheme).

We wrote to you last summer to tell you about the formal financial assessment, called an actuarial valuation, that we completed in May. Since then, the actuary has carried out a check-up of the Scheme's funding position, which you can read about on page 5.

During the year covered by this update, we reviewed the Scheme's investment strategy. Going forward, we plan to adopt a new low-risk investment strategy. You can find out more about this and see how the Scheme's assets are invested on page 8.

We take protecting your data very seriously. During the year we reviewed all our IT systems to ensure that the Scheme remains well protected against common

cyber threats. Further information can be found on page 11.

If you have not yet retired, this Update accompanies your Annual Certificate of Pension Credit. Your certificate sets out the amount of pension you will receive each year in today's money if you retire on your 65th birthday. If you have any questions about your certificate or your benefits in the Scheme, please contact us using the details on page 12. Members who stopped contributing between 6 April and 30 June 2019 have been sent a Leaving Service Statement instead of an Annual Certificate.

Remember, if we don't hold your current address we can't send you details about your benefits in the Scheme.

Please remember to tell us when your contact details change. If you think the details we hold for you are out of date, please get in touch using the contact details on page 12.

Finally, I would like to thank the Board and staff who have worked hard over the year to make sure members receive the benefits due to them. I would like to express particular thanks to Douglas Blackhall who stepped down from his role as the SNIPEF-nominated Trustee Director. Douglas was one of nine Trustee Directors on the Board. Two Trustee Directors are nominated by each of the employer trade associations (SNIPEF and the APHC), three are appointed

by Unite the Union, and the remaining two Trustee Directors are non-voting independent pension trustees appointed by the Trustee Board.

I hope you find this Update helpful and relevant. If there is anything that you would like to see covered in a future issue, please let us know.

Alan Pickering CBE

Trustee Chairman
Plumbing Pensions (UK) Ltd

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Membership

The Scheme closed to future contributions on 30 June 2019 and all the active members became deferred members. Members who leave the Scheme but who do not retire immediately are called deferred members. The Scheme also provides benefits to many thousands of pensioners and their beneficiaries.

Number of members at 5 April

Active members

2019	2,876	2018	3,496
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Deferred members

2019	19,066	2018	19,485
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Pensioners

2019	12,740	2018	12,422
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Funding update

The Scheme has a formal financial assessment (called an actuarial valuation) at least once every three years. In the years between formal valuations, the actuary also reviews the Scheme's funding position, but these check-ups are less detailed.

We wrote to you last summer with the results of the 2017 valuation and also the 2018 check-up – both of which were very positive. As a reminder, the Scheme actuary found that, as at 5 April 2017, the Scheme's assets were enough to cover 102% of the liabilities (by which we mean all the pensions that have been built up by members). By 5 April 2018, the position had improved so that the assets covered around 108% of the liabilities on an ongoing basis.

Over the year to 5 April 2019, the funding position remained broadly stable, so that when the actuary carried out the last annual check-up, the assets still covered 108% of the liabilities.

Since the 2018 actuarial report, the Scheme has adopted a less risky investment strategy (there are more details on page 9). As a result, the discount rate used to value the Scheme's liabilities will be carefully reviewed later this year when the actuary carries out the 5 April 2020 valuation. The discount rate should reflect the lower risk, volatility and lower return from the new investment strategy. Once the new investment strategy is fully implemented, this will significantly reduce the expected future return on the Scheme's assets, which will increase the value placed on the Scheme's liabilities. It is therefore likely that the funding level will be lower.

As mentioned in the 2017 valuation report, the Trustee has set a long-term objective to be fully funded on a 'self-sufficiency' basis over a reasonable period. In other words, the Trustee is trying to reach a position where the security of your benefits in the Scheme does not depend on the support of the participating employers. Based on market conditions at 5 April 2019, there was a shortfall on the 'self-sufficiency' basis of around £100 million (that is, a funding level of 96%).

Funding update (continued)

The actuary also reported on the financial position of the Scheme in the hypothetical situation that it had discontinued at 5 April 2017 and had to secure benefits with an insurance company. This is the funding position on which Section 75 debts are based. On this 'solvency' basis, the assets were estimated to cover around 74% of the liabilities at that date. This is lower than the ongoing funding level described on page 5 because 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 employers will continue to exist and support 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 Trustee is required by law to provide you with information about the solvency

position; it does not imply that there is any intention to discontinue the Scheme. The funding shortfall mentioned above was a hypothetical situation at a specific date only.

The next formal actuarial valuation will be carried out as at 5 April 2020, and the Trustee is working with the actuary to make plans for this exercise. We will report the results to you in a future Update.

Rates of contributions

As part of the 2017 valuation, the actuary calculated that the contributions being paid by members and participating employers would need to increase significantly, to meet the cost of building up new benefits in the Scheme. This led to a consultation on future benefit provision, during which contributions carried on as normal. As mentioned in the Summer Update, this consultation

led to the decision to close the Scheme to future contributions on 30 June 2019. This means that no contributions from employees or employers have been paid into the Scheme in relation to the future build-up of benefits from 1 July 2019.

Other information

As required by law, we 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 employers since the date of the last funding update.

Where can I get more information?

If you have any questions or would like any further information, please contact us using the details on page 12.

2019 Summary of Scheme accounts



The table below provides a summary of the Scheme's income and outgoings for the year ending 5 April 2019.

The total income includes member and employer contributions, as these were paid in before the Scheme closed to future contributions on 30 June 2019. If the actuary identifies a funding shortfall in a future valuation of the Scheme, the employers would be required to pay money into the Scheme to remove the shortfall. The Scheme also receives income from its investments, which includes a bulk annuity policy that covers most of the pensioner payroll.

The Scheme's outgoings include benefit payments of pensions, lump sums, death benefits, short-service refunds, transfers to other pension schemes and payments towards the Scheme's running costs.

	£m
Fund at 5 April 2018	2,005
+ Total income for the year	12
- Total outgoings for the year	55
+ Net returns on investment during the year	194
=	=
Fund at 5 April 2019	2,156

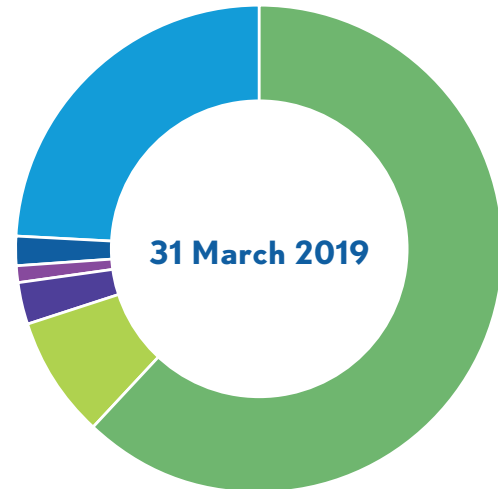
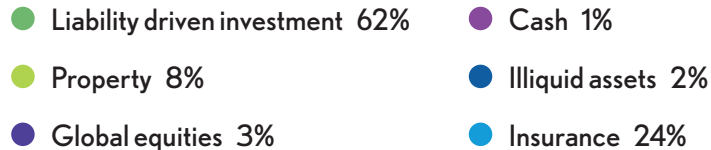


Investing the Scheme's assets

One of the Trustee's most important duties is to invest the Scheme's assets. The Trustee takes advice from a professional investment consultant, who helps it set a suitable investment strategy.

Over the year to 31 March 2019, the Scheme's assets, excluding the bulk annuity insurance policy, achieved a return of 14.9%. This was 7% above the target set by the Trustee and its consultant, so an excellent result.

This chart shows how the Scheme's assets were split between different investment types at 31 March 2019, excluding AVCs which are held separately.



Changes to the investment strategy

In our Summer Update, we told you the Trustee was reviewing the Scheme's investment strategy to switch the focus away from riskier return-seeking investments towards less risky asset classes.

The Trustee consulted the employers about its plan to adopt a 'slow and steady' low-risk investment strategy to protect the Scheme's assets. Employer feedback supported the Trustee's proposal. Over the coming year, the Trustee will implement the new investment strategy.

You can find out more about the new investment strategy in the Statement of Investment Principles, available on our website or by calling us using the details on page 12.

The Trustee continues to monitor the situation regarding the UK's departure from the EU and has of course discussed this with its professional advisers to better understand the impact on the Scheme's funding position. It's important to remember that the Scheme invests for the long term because it expects to pay pensions for many years to come. The new low-risk investment strategy will help to protect the Scheme against short-term volatility.



Scheme changes

Employer exit charge

After a lengthy period of consultation with the employers, the Trustee has begun to issue exit charges to employers. This is because a complex piece of pension legislation says employers must pay an exit charge (called a 'Section 75 employer debt') when they leave the Scheme. The Scheme has not been able to calculate employer exit charges before now because the legislation is not easy to apply and it has been very difficult to obtain all the data needed.

This law only affects employers. It does not affect members.

The law allows some employers to defer paying an exit charge, but other employers cannot afford the exit charge and they have ceased trading. The Trustee has no choice and must still issue employer exit charges. This is because the law says so and the Government has said it cannot change the law to help the Scheme.

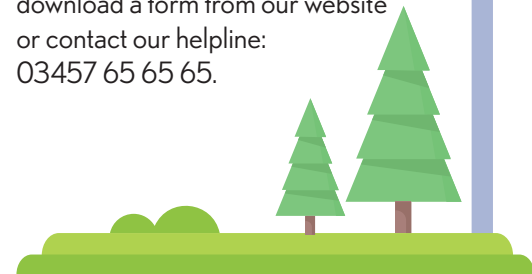
Keep your details up to date

It is important to keep your details up to date and tell us if you move house. You can complete a form online to tell us about address changes or contact our helpline: 03457 65 65 65.

Protection for your family

Scheme membership provides valuable lump sum and pension benefits for your family if you die before you retire or within five years of retiring.

The Trustee decides who will receive the benefits, but they will take into account your wishes. To help the Trustee make sure the right people receive these valuable benefits, please regularly complete and send us an expression of wishes form. You can download a form from our website or contact our helpline: 03457 65 65 65.



Pensions news

GMP equalisation

Between 1978 and 1997, members earned a minimum level of pension known as the Guaranteed Minimum Pension (GMP) which is payable from age 65 for men and age 60 for women. Because State Pension ages for men and women were not the same in the past, GMPs for men and women were unequal.

In October 2018, the High Court said pension schemes must equalise GMPs. This is a complex project and there remains uncertainty on how pension schemes should do this. We will keep you informed of progress. No-one will be worse off, but some members may see a change to their pension.

Looking after your data

We need to hold some personal data about you (such as your date of birth and your earnings) to make sure we pay you the correct benefits. We take our data protection duties seriously. You can find further information about this in our Privacy Notice on our website.

The Scheme has recently been awarded IASME accreditation. This demonstrates that we have taken steps to improve our cyber security and protect our members' data.

When we share data with other organisations, such as the Scheme actuary, we take steps to ensure they meet our data security standards. The Scheme actuary also has to tell you how they use your personal information:

www.willistowerswatson.com/personal-data

Beware of pension scams

Falling foul of a pension scam could mean you lose some or all of your retirement savings. If you are considering transferring your benefits to another pension plan, please check the facts and take independent professional advice before you make an irreversible decision.

Please note, we would never call you and ask for your bank or credit card details.

Useful websites:

www.thepensionsregulator.gov.uk/pension-scams

www.fca.org.uk/scamsmart

www.actionfraud.police.uk

Contact details

Please contact us if you have any questions about your Scheme benefits or would like a copy of any Scheme documents:

Through our website: www.plumbingpensions.co.uk

By telephone: 03457 65 65 65

By email: info@plumbingpensions.co.uk

Or by post: Plumbing Pensions (UK) Limited, Bellevue House
22 Hopetoun Street, Edinburgh EH7 4GH

Scheme documents

You can ask for a copy of key Scheme documents including the Report & Accounts, the Statements of Funding and Investment Principles, the Schedule of Contributions and the annual Scheme funding reports.

Help with your pension

We cannot give you individual advice.
You may find these other contacts useful:

The Pensions Advisory Service (TPAS)
www.pensionsadvisoryservice.org.uk

The Money Advice Service
www.moneyadviceservice.org.uk

A website to help individuals find a trusted independent financial adviser:
www.vouchedfor.co.uk

The Pension Protection Fund
www.ppf.co.uk



Designed and produced by Workshop
Our environmental and data protection policies can be seen online.
www.workshop.co.uk

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