



Plumbing Pensions



ANNUAL MEMBER
UPDATE
2016

WELCOME

Welcome to the 2016 Annual Update for the Plumbing & Mechanical Services (UK) Industry Pension scheme ('Scheme').



Alan Pickering CBE
Trustee Chairman
Plumbing Pensions (UK) Ltd

This year's report includes an update of the Scheme's funding position as at 5 April 2016, information about the running of the Scheme over the last financial year as well as an update on Scheme developments and relevant pension news.

As usual, if you have not yet retired, this year's update accompanies your Annual Certificate of Pensions Credit. Your certificate sets out the current 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 **14**.

In last year's Annual Update we shared the preliminary results of the 2014 actuarial valuation and the 2015 financial update with you. Since then, market conditions have caused the Scheme's funding level to fall. You can read more about the Actuary's latest financial update on page **4**.

During the year, the Trustee replaced one of the Scheme's Investment Managers. You can read about this change and find out how the Scheme's assets are invested on page **9**.

We told you last year that the Trustee was considering whether to set up a new section for employers to re-open the Scheme to anyone working in the plumbing and mechanical services sector. Despite a significant investment of time and resource, it was decided not to pursue this option. The Scheme remains open to new employees of current participating employers but is closed to new employers and their employees.

Earlier this year we wrote to active members of the Scheme about a change in their pension contribution rates from April 2017. Any member that does not want to pay higher pension contributions will be able to switch onto the new 2017 Benefit Scale for future pension and death benefits. The change in contribution rates is not linked to the Scheme's funding level and it will not affect any benefits that have been earned before April 2017.

During the year, there have been a number of personnel changes in the Administration Company and on the Trustee Board. November 2016 will see the retirement of Robert Burgon, who has worked tirelessly for the Scheme for nearly 40 years and has been our Chief Executive for almost 30 years. Robert will be a hard act to follow but the Board is confident that Kate Yates will provide the leadership that we need, building on the tremendous foundation built by Robert.

We would like to send you regular updates about your benefits in the Scheme but we need to know your current contact details. Please remember to tell us when your personal details change. We would also like to know your email address. If you think the details we hold for you are out of date, please get in touch using the contact details on page 14.

I hope you find this year's update helpful. If there is anything that you would like to see covered in a future issue, please let us know using the contact details on page 14.

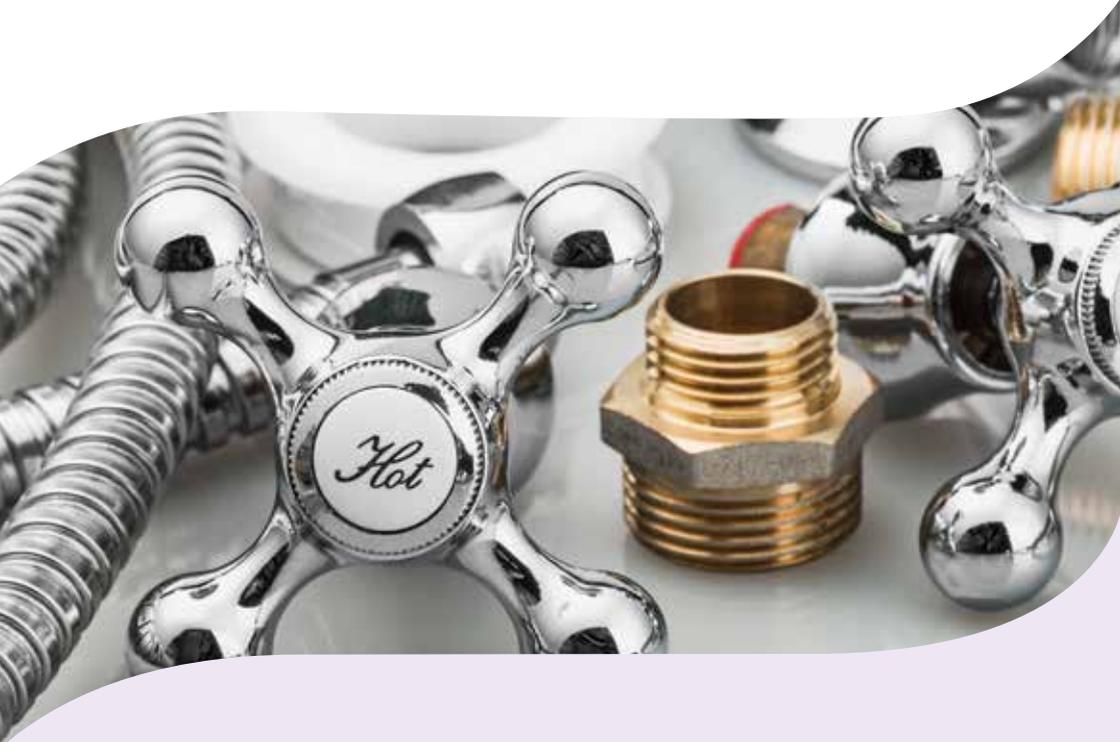


**Did you know you can check your State Pension Age and find out how much your State Pension might be on this website?
www.gov.uk/state-pension-age**



WHAT'S INSIDE

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SUMMARY FUNDING STATEMENT

The Scheme Actuary provides regular valuations and advises the Trustee on funding matters. The valuations provide an assessment of the Scheme's funding position. This helps the Trustee and the Scheme's three constituent organisations – SNIPEF, APHC and Unite – reach agreement on the contributions payable to the Scheme.



Nicola MacKay
Scheme Actuary
Willis Towers Watson

Introduction

The Trustee of the Scheme is required to provide members and beneficiaries with a summary funding statement after each annual funding update. This is the summary funding statement for 2016. The previous formal statement was circulated in January 2016.

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 some of its commitments for many years 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 approach is designed to ensure there are enough assets to cover future pension payments.



If you want to track down an old pension,
did you know The Pension Tracing
Service can help?

www.gov.uk/find-pension-contact-details



SUMMARY FUNDING STATEMENT

Valuing the Scheme

The Scheme has a formal financial assessment (called an actuarial valuation) at least once every three years. The latest actuarial valuation was carried out as at 5 April 2014, 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, which assumes that the Scheme continues. Last year we reported to you that, by 5 April 2015, the position had deteriorated slightly such that assets covered liabilities by around 95% on an ongoing basis.

An update was carried out on an approximate basis at 5 April 2016 by the actuary. Over the year from the previous approximate update at 5 April 2015, the funding position had fallen slightly such that assets covered 87% of liabilities at 5 April 2016. The decrease in the funding level from 95% to 87% was mainly due to a decrease in the market's expectation of future investment returns which increases the amount of money that needs to be set aside now to meet future benefit payments. This was compounded by lower than anticipated returns on the Scheme's assets over the year to 5 April 2016.

The actuary also reported on the financial position of the Scheme in the hypothetical situation that it had discontinued at 5 April 2014 and had to secure benefits with an insurance company. On this basis, the assets were estimated to cover around 77% 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 shortfalls mentioned above were in a hypothetical situation at specific dates only.

The next formal actuarial valuation of the Scheme will be carried out as at 5 April 2017, 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 5 April 2014 valuation, the current rates of both employer and employee contributions were reviewed to check they were appropriate for meeting the costs of providing benefits in respect of future years' service. Following this review, the actuary recommended an increase to the employer and employee contribution rates for all membership categories. A period of employee and employer consultation on the proposals took place in the autumn of 2015. As a result of this it has been agreed that both employee and employer contribution rates will increase from April 2017. Alternatively the current contributions rates can be continued if future benefits are accrued on the 2017 Benefit Scale instead.



Do you know how much money you might receive when you retire? The Money Advice Service has a free pension calculator to see if your retirement savings are on track.
www.moneyadvice.org.uk



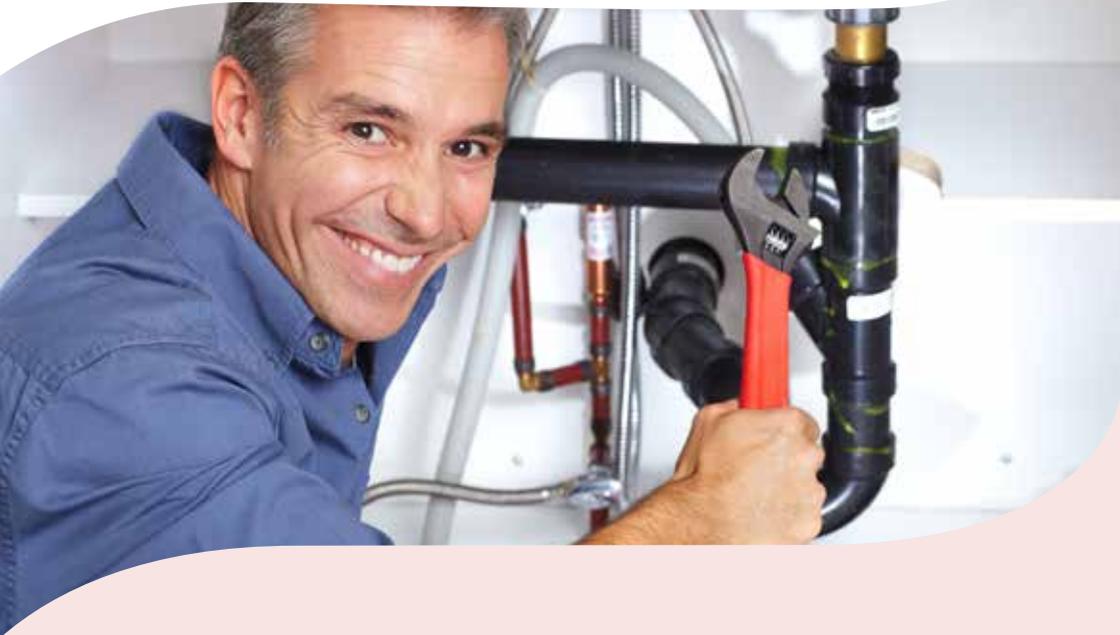
SUMMARY FUNDING STATEMENT

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 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 Scheme using the contact details on page 14.



SUMMARY OF SCHEME ACCOUNTS

The Scheme's income comes from member and employer contributions, along with returns from the Scheme's investments. Throughout the year, the Scheme makes payments to pensioners and their beneficiaries, to members who request short service refunds and to other pension schemes for members who transfer their benefits.

There is more money going out of the Scheme than coming in so the Scheme regularly sells some of its investments. This is normal for a Scheme like ours where there are significantly more people receiving pensions than paying into the Scheme.

A summary of the Scheme's income and outgoings for the year ending 5 April 2016 is shown below.

| | £m |
|--------------------------------------|--------|
| Total income for the year | 13.2 |
| Total outgoings for the year | (52.4) |
| Total returns on investments | 23.0 |
| Net increase in fund during the year | (16.2) |

| | |
|--------------------------------------|---------|
| Fund at 5 April 2015 | 1,644.6 |
| Net increase in fund during the year | (16.2) |
| Fund at 5 April 2016 | 1,628.4 |

SCHEME ASSETS

The Trustee takes advice from an Investment Consultant who helps them set an investment strategy which is appropriate for the required level of investment returns and risk the Scheme and its participating employers are able to support. Below you can find more information about the Scheme's assets and where they are invested.

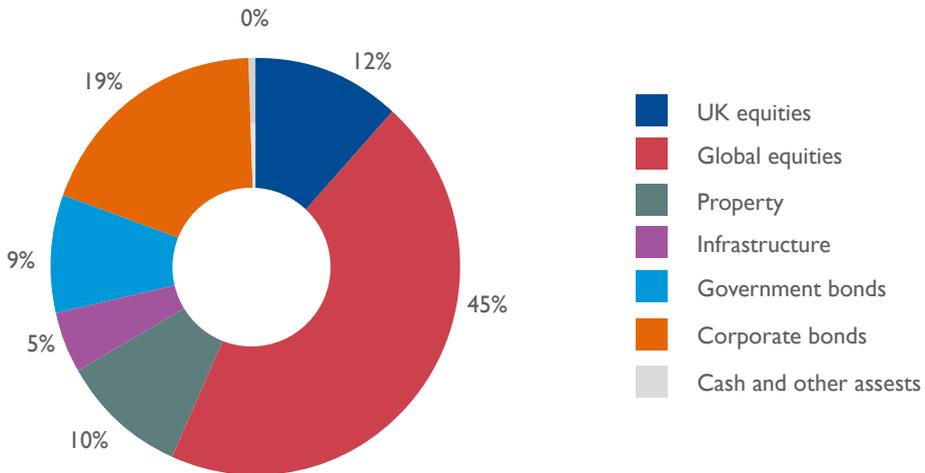


Pratik Patel
Investment Consultant
Aon Hewitt

During the year, the Trustee replaced one of the Scheme's equity investment managers. In September 2015, the Trustee transferred just over £100 million from Trilogy to a long-term growth portfolio with Baillie Gifford.

The asset allocation of the Scheme at 31 March 2016, excluding AVCs which are held separately, is shown below.

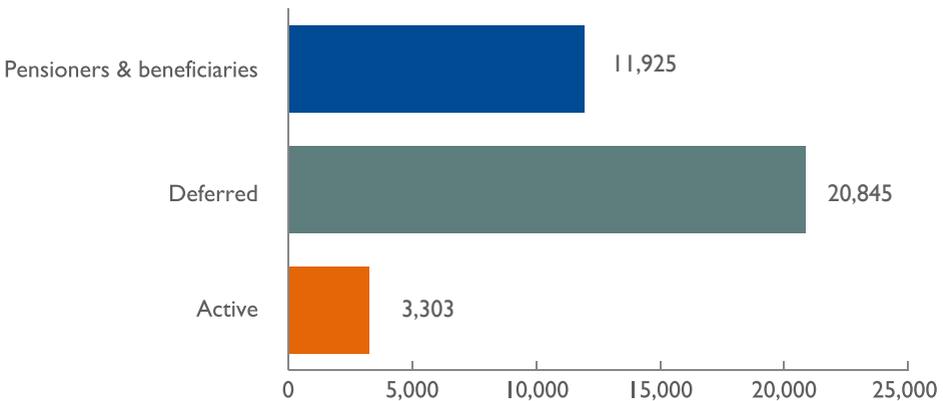
ASSET ALLOCATION AT 31 MARCH 2016



MEMBERSHIP

The Scheme provides benefits to many thousands of pensioners and their beneficiaries. Membership of the Scheme is always changing. New employees of existing employers can join the Scheme and become contributing (active) members. Members that leave the Scheme but who do not retire immediately are called deferred members.

NUMBER OF MEMBERS AT 5 APRIL 2016



Be aware of pension scams, if it sounds too good to be true, it probably is! If you have any concerns or need help contact the Pensions Advisory Service.

www.pensionsadvisoryservice.org.uk



SCHEME CHANGES

New Scheme Booklet

The Scheme handbook has been updated to include details about the new 2017 Benefit Scale, which is available to active members from April 2017. The new handbook is on our website www.plumbingpensions.co.uk. Alternatively, you can request a copy of the new handbook using our contact details on page 14.

End to transfers in

The Trustee has agreed not to accept any further transfers into the Scheme after 5 April 2017. If you have pension savings in a different pension arrangement that you would like to transfer into the Scheme, you should contact us now to request an illustration of the extra pension credits your transfer could provide. You should consider taking independent financial advice before transferring into the Scheme.

Section 75 employer debt consultation

The Trustee recently consulted with participating employers about a complex piece of pension legislation, which requires employers to pay a large exit charge (a 'section 75 employer debt') when they leave the Scheme. The consultation is an important step for the Trustee but it does not affect the ongoing running of the Scheme or its ability to provide benefits to members.

Is your expression of wish form up to date?

The Scheme provides valuable benefits if you die. The Trustee is responsible for deciding who these benefits are paid to, but takes your wishes into account. It is important that you tell us who you would like to receive this benefit.

You can change your expression of wish form at any time, for example if your personal circumstances change. You can nominate any person to be your beneficiary (including family, dependants and friends) and you can ask the Trustee to share the benefit between two or more beneficiaries. Please download a form from the website or contact us using the details on page **14** to obtain an expression of wish form.

Staff News

Since we last wrote to you, we have said goodbye to Angela Smith, Business Development Manager and welcomed Jennifer Russell, Financial Accountant. Robert Burgon plans to retire in November 2016 after nearly 40 years' service with Plumbing Pensions.



Know your State Pension Age

The State Pension Age is the earliest age you can claim your State Pension and depends on when you were born. State Pension Age is increasing to 65 for women between 2010 and 2018 and then to 66, 67 and 68 for both men and women. You can check your State Pension Age by going to this government website: www.gov.uk/state-pension-age

If you have spent at least 20 hours a week caring for someone, you could be entitled to Carer's Credit. This helps to fill gaps in your NI record, which may increase your entitlement to the State Pension.

Minimum Retirement Age

The Government is increasing the minimum retirement age from 55 to 57 in April 2028.

Pension Scams

Pension scams are on the increase and scammers have a variety of tricks to catch you out. Scammers may persuade you to access your pension savings before age 55. If you do this, you could face significant tax charges and may never see your pension savings again. Please check the facts before you make an irreversible decision. You can find more information about pension scams from the Pensions Advisory Service website: www.pensionsadvisoryservice.org.uk

UK referendum to leave the EU

The Trustee and its professional advisors are monitoring the position closely. While investment markets are likely to be more volatile in the shorter term, the Scheme is invested for the long-term in a wide range of different asset classes. The Scheme will continue to pay benefits as usual to beneficiaries currently receiving a pension and members due to retire in future.

CONTACT DETAILS

Please contact us if you have any questions about your Scheme benefits:

By our website: www.plumbingpensions.co.uk

By telephone: **08457 65 65 65**

By email: info@plumbingpensions.co.uk

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

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 set up to help individuals find a local independent financial advisor: www.unbiased.co.uk

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