



Plumbing Pensions

November 2018

Employer Consultation Proposed Scheme Closure



The information in this leaflet is important and requires immediate action.

This leaflet is intended to help employers understand their responsibilities in relation to the proposed closure of the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the "Scheme"). It is based on our understanding of legislation at the date of publication. It is not intended to replace professional advice.

You have been sent this leaflet because you are recorded as the Scheme's contact for pension matters. If you are not the correct recipient in your company for pension and employee benefit matters, please forward it immediately to the correct person and contact us so we can update our records.

What was the outcome of the employer consultation?

Feedback from employers was overwhelmingly in support for the Scheme to close to future benefit accrual.

The Trustee Directors and Constituent Organisations - the Association of Plumbing & Heating Contractors, the Scottish & Northern Ireland Plumbing Employers' Federation and Unite the Union – who collectively agree the Scheme's rules, have therefore agreed in principle that the Scheme should close to future accrual with effect from 30 June 2019, subject to feedback from employees and reaching agreement on the legal changes required.

Actions for the Trustee

The Trustee will write to all contributing members in November 2018 to explain why they are considering closing the Scheme to future benefit accrual. This includes a table to explain the key benefit changes if the closure goes ahead and some illustrations to help members understand how the proposed closure might affect their retirement benefits.

The administration team will answer any questions from members about how the closure might impact their Scheme benefits.

Important actions for employers

1. Find an alternative pension arrangement

The Trustee does not have a replacement pension or life insurance arrangement for employers to use.

Employers need to explore alternative pension providers now. Employers must choose a new pension arrangement to use from 1st July 2019 if the Scheme closure goes ahead. Employers should follow the Joint Industry Boards' National Working Rules, if applicable. If you are a member of a trade association, they may be able to help you find a new scheme. Alternatively, you can find help on how to set up a new pension arrangement on the Pensions Regulator's website: www.thepensionsregulator.gov.uk The administration staff cannot recommend alternative pension providers to employers.

If Scheme closure goes ahead, employers might also need to find an alternative life insurance arrangement to replace the death in service cover that would no longer be paid by the Scheme, as summarised in the table below:

Death in service lump sum	2017 Scale	Basic Scale	H2 Scale	H3 Scale	H4 Scale
	3 x Earnings	2 x Earnings	3 x Earnings	3.5 x Earnings	4 x Earnings

2. Consult with affected employees

Employers must consult with their affected employees and their employees' representative(s) before certain changes can be made to the Scheme, such as increasing pension contribution rates or closing the Scheme to future benefit accrual.

The purpose of an employee consultation is not to obtain consent from those being consulted but to inform them about the proposed changes and give them the opportunity to provide feedback.

3. Provide feedback to the Trustee

Employers have until **7th April 2019** to confirm to the Trustee that an appropriate employee consultation has been carried out using this weblink:

www.plumbingpensions.co.uk/employers/closure-consultation

Who must be consulted?

Employers must consult with affected employees (contributing members and individuals eligible to become Scheme members) and their representatives (if appropriate), which could include a trade union or a representative from a group of affected employees chosen for the purpose of the consultation.

What information must be provided before consultation starts?

Before starting an employee consultation, affected employees and their representatives (if appropriate) must be given written information about the proposed changes to explain how they will affect your employees:

- A template letter is available to send to employees.
- A Scheme leaflet is available to explain the background to the proposal, the effect of the proposed change and timescales. The Trustee will send the leaflet to all contributing members in November 2018. Additional copies of the leaflet are available to employers on request and must be provided to employees who are eligible to join the Scheme but have not yet done so.
- To help your employees understand the impact of the proposed change, you should also provide information about the future pension arrangement you plan to use for your employees. This should cover the pension contribution rates, charges, investment options and expected benefits on ill health, retirement and death from the new arrangement.

You must explain that the changes are likely to take effect from 30th June 2019, how long the consultation will last (must be at least 60 days) and how employees or their representatives can respond.

Consultation format

What format should the consultation take? How will employee views be considered?

1. An employee consultation must be fair and cover all employees affected by the proposed changes.
2. Employees must be given sufficient information in writing before the consultation starts to help them understand the proposed changes and how the changes affect them.
3. Employers are free to decide how to carry out their employee consultation. Employers can choose but do not have to run individual or group meetings.
4. Employers should aim to complete their employee consultation before 31st March 2019.
5. Employers have until 7th April 2019 to confirm to the Trustee that they have carried out the necessary employee consultations and report on any employee views received (forwarding any written comments). An online form will be available on the Scheme's website. If no employee responses are received, the employer should confirm this to the Trustee.
6. Employees should not feel that the proposals will be implemented regardless of how they respond, for example, by seeking decisions during the consultation period on options arising out of the proposals.
7. Employees who do not agree with the proposals should not be treated any differently. Any employee who feels they are being unfairly treated may consider taking the matter to an employment tribunal or complaining to the Pensions Regulator.
8. At the end of the consultation, the Trustee and Constituent Organisations must fully consider all responses received before deciding how to proceed.

It is important to note that Employers that fail to comply with the consultation regulations can be fined by the Pensions Regulator.

Consultation timings

What are the timings for the consultation process? When will a final decision on Scheme closure be made?

The Trustee must ensure that where required by law employers consult their employees about the proposed Scheme closure. The Trustee recognises that employers need time to find an alternative pension arrangement. The Trustee needs employers to complete their 60-day consultations before **31st March 2019** and share feedback with the trustee by **7th of April 2019**.

2019



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Trustee and Constituent Organisations will consider feedback in **April 2019** and make final decision



The proposed Scheme closure date is **30th June 2019**



The Trustee will write to participating employers and contributing employees in **Spring 2019** to provide further information about the proposed Scheme closure.



Between now and **April 2019**, the Trustee will work with the three Constituent Organisations to reach agreement on the rule changes that would be required if, following employee consultation, a decision is made to close the Scheme.

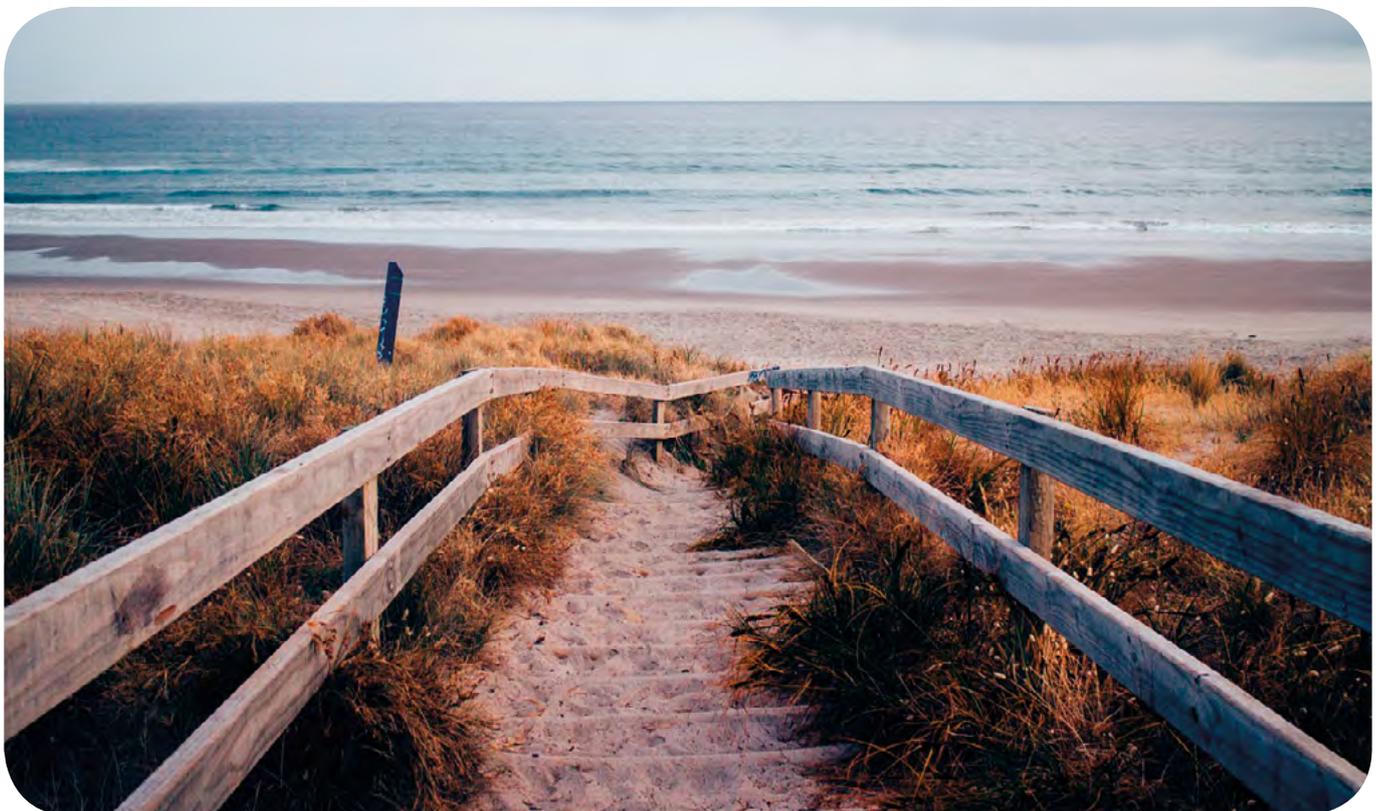
What happens next

What happens to the Scheme if it closes?

If the closure proposal goes ahead, the Trustee will remain responsible for managing the Scheme's assets so that all members receive the benefits they have already built up. Existing employers will also continue to have certain obligations to the Scheme, such as in relation to funding, providing information and statutory debt.

The Trustee is reviewing the Scheme's long-term investment and funding strategies to reduce risk and minimise the likelihood that employers are asked to pay extra contributions if the Scheme's funding position deteriorates. Closing the Scheme will help because no new liabilities will build up after the closure date.

The Trustee is changing the Scheme's investment portfolio to hold less risky assets with more stable market prices. The Trustee also plans to introduce a new funding target to get the Scheme to a secure financial position where it is self-sufficient. The Scheme is already well funded on this new self-sufficient funding target. The Actuary says the Scheme's funding position should continue to improve over time as members get older and take their benefits.



Withdrawing from Scheme

Can I leave the Scheme before it closes?

You can withdraw from the Scheme at any point if the Trustee consents. However, you should be aware that leaving the Scheme when one or more employers continue to participate would be an employment-cessation event under the Employer Debt Regulations. This means that an employer debt would become payable by your company and if the company paid this debt, you would have no further statutory obligations to the Scheme.

The Trustee can no longer accept period of grace requests from employers that have an employment cessation event. Employers that expect to have an employment cessation event before 30 June 2019 are strongly encouraged to take professional advice or contact Plumbing Pensions for information, to ensure they understand the implications for their business and their options.

If you withdraw from the Scheme in the period up to 31st December 2018, unless the Trustee agrees to you de-participating in the Scheme you could still be liable to make further payments in accordance with the Rules. The Trustee is in discussions with the Constituent Organisations about extending the employer de-participation Rule to require Trustee consent until the proposed closure date.

If the Scheme closes to future accrual for all employers at the same time, this would not trigger an employer debt. Following closure, employer debts would only be triggered in the following circumstances:

- An employer tells the Trustee it wishes to trigger its debt;
- A solvent employer passes a resolution to voluntarily wind up;
- An employer suffers an insolvency event; or
- The Scheme winds up.

Further information

Further information about the proposed closure can be found as follows:

Website: www.plumbingpensions.co.uk/employers/closure-consultation

Email: info@plumbingpensions.co.uk

Phone: **03457 65 65 65**

You can also find help about employer duties on the Pension Regulator's website: www.thepensionsregulator.gov.uk