



Plumbing Pensions

Plumbing & Mechanical Services
(UK) Industry Pension Scheme

Employer Update

May 2019

This is an important update about the Scheme closure and actions you need to take.

Please read it carefully and call Plumbing Pensions if you have any questions.

In this update you can read about:

- ✓ Actions you need to take
- ✓ Employer information events
- ✓ Scheme closure
- ✓ Employer exit premium
- ✓ Employer lock-in rule
- ✓ Investment strategy
- ✓ Section 75 employer debts
- ✓ Financial assessment
- ✓ Journey plan

Actions you need to take

1. Tell your employees in the Scheme about the new pension arrangement you plan to use from 1 July 2019.
2. Review your pension contribution submissions up to 5 April 2019 and tell us about any changes to the information that you have given us.
3. Send us your final pension contributions up to 30 June by 22 July 2019.
4. Review your pension contribution submissions for April, May & June and tell us about any changes by 31 July 2019.

Employer information events

You can find out more about the steps the Trustee is taking to look after the Scheme and meet the people who run the Scheme by attending one of the following employer information events:

Date	Time	Venue
Friday 31 May	9.30am	Marriott Hotel 111 Glasgow Road Edinburgh EH12 8NF
Monday 10 June	10am	Pinsent Masons 1 Lanyon Place Belfast BT1 3LP
Tuesday 11 June	9.30am	Marriott Victoria & Albert Hotel Water Street Manchester M3 4JQ

If you wish to attend an employer event, please complete the online registration form:

www.plumbingpensions.co.uk/employers/employer-information-event-2019

Alternatively, you can call us to request a place.

Scheme closure

The Trustee wrote to employers and contributing members in November 2018 about the Scheme closure proposal. The Trustee Directors and Constituent Organisations - the Association of Plumbing & Heating Contractors (the APHC), the Scottish & Northern Ireland Plumbing Employers' Federation (SNIPEF) and Unite the Union (Unite) – who collectively agree the Scheme's rules have considered all the employer and employee feedback submitted and agreed that the Scheme should close from 30 June 2019.

This means that no further benefits will be built up in the Scheme after 30 June 2019 and no further pension contributions will be required unless a funding shortfall arises in the future.

What happens next?

Employers must put in place a new pension arrangement for their employees to use from 1 July 2019. You may also decide to provide life insurance cover to replace the death in service cover that will no longer be paid by the Scheme.

Employers should send all pension contributions and employee information up to 30 June 2019 to the Scheme as quickly as possible so that members can be told about their final benefits in the Scheme.

After the Scheme closes, the Trustee has a duty to keep in touch with employers and employers still have a legal duty to tell the Scheme promptly about materially significant events, including ceasing to do business in the UK. Employers will also need to complete half-yearly returns to the Scheme.

The Scheme will continue to send VAT invoices to all VAT registered employers once a year.



Employer exit premium

You may have heard about a proposal to introduce a new employer exit premium. **This is an option the Trustee considered but it is not going ahead.** If an employer ceases to be a statutory employer, the only money due to the Scheme is a section 75 employer debt (see next page).

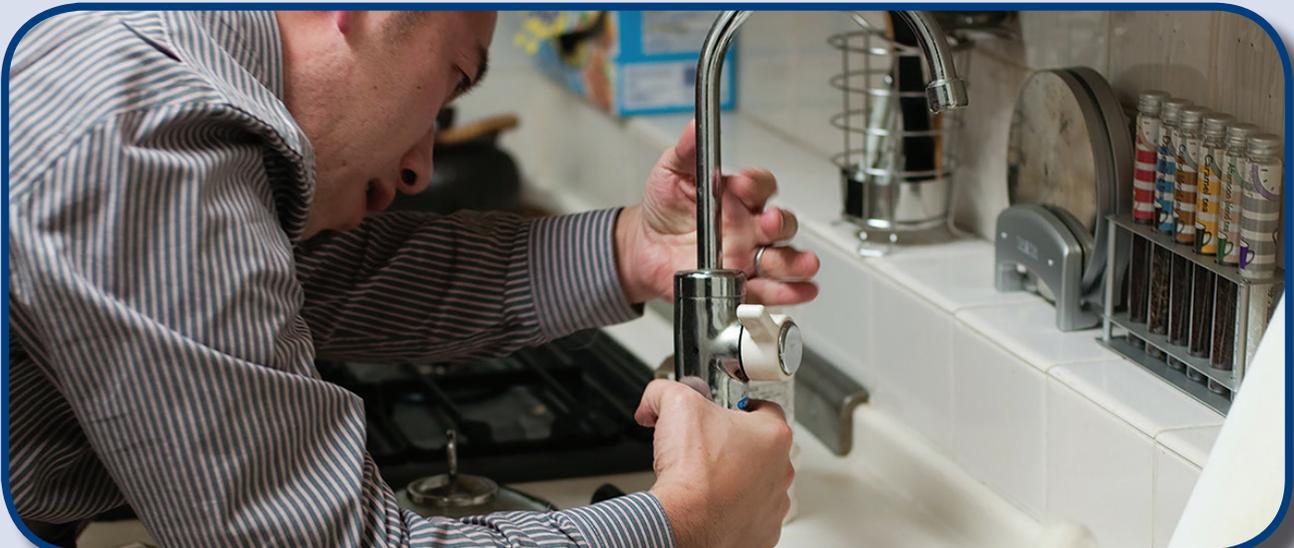
Employer lock-in rule

The Scheme Rule that prevents employers from ceasing to be a “participating employer” without Trustee consent, will be extended from 30 June 2019 to the end of 2019. This allows time for discussions to take place about a long-term journey plan for the Scheme.

Investment strategy

One of the Trustee’s key duties is to invest the Scheme’s assets to make sure there is enough money to pay member benefits. Over the last few years, the Trustee has spent considerable time reviewing the Scheme’s investment strategy to make sure it is appropriate for the future.

The Trustee has agreed a low risk long-term investment strategy for the Scheme, which aims to deliver a secure and steady investment return. We will send you further details about the new investment strategy in the summer.



Section 75 employer debts

Employers should take professional advice before triggering an employer debt because employer debt legislation is complex and section 75 debts can be significant sums of money.

After the Scheme closes on 30 June 2019, a section 75 employer debt will only be triggered if:

- 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.
- The Scheme winds up.

It is worth noting there is currently no plan to wind the Scheme up. Winding up the Scheme would require the Trustee to use the Scheme's assets to buy annuities from an insurance company. This would be very expensive and the Scheme Actuary has said there is not enough money to do this. The Trustee does not believe it would be in the members' or employers' best interests to wind up the Scheme for the foreseeable future. The Trustee and the Constituent Bodies reserve the right to wind the Scheme up in the future if it would be appropriate to do so at that time.

The Actuary has recently begun to calculate employer debts for businesses that have left the Scheme since September 2005. Debt notices are being sent to employers in stages during the first half of 2019. Employers will be given the opportunity to review and query the data used in their debt calculation. No monies will become due for at least 12 weeks from the initial debt communication.

Employers that receive a debt notice may be able to use one of the following legal easements:

- A **Flexible Apportionment Arrangement** (FAA) transfers the employer's pension liabilities to another employer. This may be appropriate if a debt was triggered when a business changed its legal structure. It will still be possible to request an FAA after the Scheme has closed.
- A **Deferred Debt Arrangement** (DDA) defers the employer debt. This may be appropriate if the business continued to operate after a debt was triggered. The Scheme cannot agree DDAs after 30 June 2019.
- A **Debt Repayment Plan** allows the employer debt to be repaid in instalments. This may be appropriate if it would be unaffordable for the business to pay the employer debt in a single lump sum.

Where the Trustee considers that a debt would be disproportionate to pursue, employers will receive a letter from the Trustee to inform them of this.

Financial assessment

The financial assessment at April 2017, called an actuarial valuation, will be completed now that a decision has been made about the future of the Scheme.

The Actuary will prepare a new Schedule of Contributions to show that no pension contributions will be paid after 30 June 2019. The Scheme will only ask employers for money after 30 June 2019 if the Scheme's funding position deteriorates or if an employer triggers a section 75 employer debt.

Although this cannot be ruled out in future, it is important to note that the Trustee has never previously had to ask employers for money to cover a funding gap. The Trustee is taking steps to protect the Scheme's assets and to reduce the risk that employers will be asked for more money in future.

We will send you a funding update in the Autumn once the Actuary has finalised the financial updates for April 2018 and April 2019.

Journey plan

The Trustee has spent considerable time thinking about the future journey plan for the Scheme, including its future funding and investment strategies. We will share further information about this at the employer information events and in the 2019 Annual Update.

Contact us

You can contact us:

Email: employersupport@plumbingpensions.co.uk

Phone: 0131 556 90 90 or 03457 65 65 65

Write: Plumbing Pensions (UK) Ltd
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22 Hopetoun Street
Edinburgh EH7 4GH

We have written to you 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 to the correct person and contact us so we can update our records.