Guided Outcomes® (GO™) Rules

For members of the Defined Contribution (DC) Money Purchase Division of the Affinity Water Pension Plan ('the Plan')

This guide explains everything you need to know about how GO works and the statement that you have received:

- How GO's designed
- How GO operates
- Compliance and regulatory information

Read this carefully and store it in a safe place.

Affinity Water ('the Company') pays for GO on your behalf, so there's no cost to you to use GO.

1 How GO's designed

1.1 Your total target retirement income

1.1.1 How GO calculates your total target retirement income

The 'total target retirement income' is how much you may need when you retire. It's calculated based on independent research of the UK population in 2004 by the Pensions Commission (updated by the Department for Work and Pensions in 2012) to determine how much money someone typically needs to live on when they retire as a percentage of their earnings. This is referred to as 'target replacement ratio'.

The table below sets out the earnings bands and target replacement ratios based on data from August 2014.[1]

Band	Earnings range	Target replacement ratio you need (%)	
		If you're at the bottom end of this earnings range:	If you're at the top end of this earnings range:
1	£0 - £12,600	80%	80%
2	£12,600 – £23,300	80%	70%
3	£23,300 - £33,200	70%	67%
4	£33,200 - £53,200	67%	60%
5	£53,200 - £80,000	60%	50%
6	£80,000[2]	Capped at £40,000	Capped at £40,000

1.1.2 How your total target retirement income is shown

Your pensionable salary is compared to the bands shown in section 1.1.1, and a target is calculated based on your position within the band.

Here's an example:

Jane

Jane earns £17,950 (she falls in the middle of band 2 – between £12,600 and £23,300).

So the total target retirement income GO estimates she'll need when she retires is:

- **75% of her salary (halfway between 80% and 70%) or in monetary terms;**
- **£13,463 (75% of £17,950).**

GO calculates that this income will come from:

- **the State Pension;**
- **any other pension plans / sources of income she had before she joined the Company; and**
- **her benefits in the Plan.**

1.1.3 State pension, assumed savings from other pension plans / sources of income and the target retirement income you need from the Plan

To calculate the target retirement income from this Plan, we make a number of adjustments to the total target retirement income:

1 We assume that you will receive the full state pension, which we deduct from your total target retirement income.

2 We assume that by the time you reach State Pension age, if you have not spent your whole career at the Company (we assume a career of 40 years), you will have other savings to help you reach the total target retirement income GO suggests you need.

This saving could be a combination of income you're due to receive from another pension scheme and / or other savings.

There is a proportion of your total target retirement (net of State Pension) we expect you to need from the Plan. Here are two examples to show you how this might work:

Alan	Lucy
Alan is 55 years old. He started at Affinity Water when he was 25 and joined the Plan immediately.	Lucy is also 55 years old. She started at Affinity Water (aged 55) and joined the Plan immediately.
His State Pension age is 65 and he will remain with Affinity Water until then.	Her State Pension age is 65 and she will remain with Affinity Water until then.
Because he's been in the Plan since he was 25, by the time he reaches State Pension age he could have 40 years membership:	Because she joined the Plan when she was 55, by the time she reaches State Pension age she could have been in the Plan for 10 years:
65 - 25 = 40 years	**65 - 55 = 10 years**
In this case the target income we set for him will be based on him having 100% of his total pension (less State Pension amount) from the Plan:	In this case the target income we set for her will be based on her having 25% of her total pension (less State Pension amount) from the Plan:
40 / 40 X 100 = 100%	**10 / 40 X 100 = 25%**

1.1.4 Transferring benefits into the Plan

Your target retirement income for the Plan is only based on savings you've made since you joined the Company.

If you join the Plan with less than 40 years until State Pension age, we assume you have other savings from previous employment that you haven't transferred into the Plan. These are shown in your GO statement as 'Income from other pension plans and / or other savings.'

If you have transferred benefits from previous schemes into the Plan, your assessment may look better than it really is because GO assumes you have saved more in the period you've been working at the Company than you really have.

Note: to calculate your target retirement income from the Plan, and how likely you are to achieve it, GO uses the date you joined the Company rather than the date you joined the Plan.

We do not give advice on the merits of transferring any previous plans into the current one and you should speak to an independent financial adviser to see whether it is suitable for you and your personal circumstances.

1.2 How GO calculates if you're on or off track for your total target retirement income from this Plan

1.2.1 GO assessments

GO estimates how much you'll have saved into the Plan by the time you reach your selected retirement age to tell you how likely you are to achieve your target retirement income from this Plan. Your likelihood is expressed as shown below:

Very Likely	More than 80% chance of achieving your target retirement income from this Plan.
Likely	60% to 80% chance of achieving your target retirement income from this Plan.
Moderate	40% to 60% chance of achieving your target retirement income from this Plan.
Unlikely	20% to 40% chance of achieving your target retirement income from this Plan.
Very Unlikely	0% to 20% chance of achieving your target retirement income from this Plan.

1.2.2 How GO calculates your likelihood of meeting your target retirement income in this Plan

GO uses numerous assumptions including how much you'll have saved into the Plan by the time you reach your selected retirement age allowing for:

- the current value of your pension account;
- future contributions (yours and the Company's); and
- investment growth.

GO assumes that when you retire you'll use your pension account to buy an index-linked annuity with a 50% spouse's pension[3]. GO compares this estimated income against your estimated target for the Plan. This process is repeated many times, under many different simulations of different market and economic conditions, such as how investments may perform and how much a retirement income may cost.

By:

- counting the number of simulations in which your estimated income meets or exceeds your target retirement income for this Plan; and
- dividing this by the total number of simulations we can calculate how likely you are to achieve your target retirement income for this Plan.

This is then summarised and presented as 'likelihood of you meeting your target'.

1.2.3 How GO estimates your savings and what assumptions it uses

GO estimates what your pensionable salary will be at your retirement age assuming that it increases in line with the Consumer Price Index (CPI) + 1% each year. Contributions are calculated using:

- your salary;
- the contribution rate you have chosen to pay;
- the contribution rate the Company pays.

Your contributions are allocated to the investment funds you have selected, and the value of those funds (along with any current savings you have in the Plan) are estimated to your selected retirement age allowing for assumed investment growth and fees. The annuity rate which is used to convert the value of your pension account to an income when you retire is calculated on a unisex basis by taking 50% of male and female rates, which are based on simulated interest rates at the point when you retire. GO uses standard mortality base tables and Club Vita's (www.clubvita.co.uk) best estimate of future mortality improvements.

All simulations of financial variables such as asset class returns, inflation and interest rates are provided by Hymans Robertson's Economic Scenario Service (ESS).

1.2.4 What happens if your selected retirement age is before your State Pension Age

Part of the total target retirement income GO estimates you need comes from your State Pension. State Pension can only be paid from State Pension Age; if you've indicated that you wish to retire from the Plan before your State Pension Age the amount you need from the Plan will increase to fund the State Pension amount until it comes into payment.

1.2.5 Approaching retirement

We explain in the earlier sections some assumptions GO makes when calculating your total target retirement income and whether you're on track for your target retirement income in this Plan. GO assumes that when you retire, you'll use the pension account you've built up for a steady retirement income by buying an annuity. You may however, plan to do something different.

It's important to think about how you plan to use your pension account when you retire. GO provides you with some helpful additional information but shouldn't be used in isolation for retirement planning.

Visit Pension Wise at www.pensionwise.gov.uk or call them on **0800 138 3944**.

Note: Pension Wise only provides guidance for members of defined contribution pension schemes who are over the age of 50.

You can find out what you can do with the money you've built up for your retirement, how to shop around and what to look out for with taxes and fees. They also explain how to avoid pension scams and the importance of taking your time to make sure your money lasts as long as you do.

[1] 'Scenario analysis of future pension incomes', Department for Work and Pensions, August 2014

[2] The original Pensions Commission targets had five bands. We have included the sixth band with a fixed £40,000 target for those earning more than £80,000 as a higher target is more likely to take them over the lifetime allowance limit (total amount you can save towards your retirement over your whole life before incurring a lifetime allowance charge).

[3] This is based on the total value of your pension account – it doesn't allow for you taking 25% as a tax-free cash sum. You can take 25% of your pension account as a tax free sum when you retire if you wish to.

Alternatively, speak to an adviser who can provide financial advice based on your personal circumstances.

1.2.6 Impact on investment

If you're invested in a lifestyle option, when you're earlier on in your career you'll be invested in higher risk funds which have the potential for more growth (to give you a larger pension account). It then gradually moves you to lower risk funds the closer you get to retirement to protect the value of your pension account.
If you change your retirement age, your pension account will invest in funds that are appropriate for your new retirement age.
Make sure the retirement age you set is actually the age you plan to retire:

- If you're thinking of retiring later than your selected retirement age your pension account will be moved too early from funds that give it a chance to grow (like equities).
- If you're thinking of retiring earlier than your selected retirement age, your pension account won't be invested in funds that protect its value soon enough (such as bonds and cash).

If you're in the lifestyle glide path, any changes that GO suggests to your retirement age could change your investment allocation if you are approaching retirement age.
You should review your investment strategy regularly to ensure it remains consistent with the risk you are willing to take and the risk you are able to take.

2 How GO operates

2.1 Allowances

2.1.1 Annual allowance

The annual allowance is the total amount that can be paid by you, your employer and any third party towards all of your pension arrangements, free of tax, in a year. If the total payments to all your pension arrangements exceed this limit you may be faced with a tax charge.
GO doesn't have a record of how much you pay towards pensions outside of this Plan and won't monitor whether you exceed the annual allowance. You must monitor this yourself and seek financial advice if required.
For more information about the annual allowance limits visit www.gov.uk/tax-on-your-private-pension
Hymans Robertson LLP does not provide tax advice; you should seek independent advice about your personal circumstances.

2.1.2 Lifetime allowance

The lifetime allowance is the total amount you can save towards your retirement income over your whole life before you incur a lifetime allowance tax charge. This limit is set by HM Revenue & Customs. You'll pay tax on anything over this limit.
GO won't monitor whether you exceed the lifetime allowance and there are tax implications if you exceed the lifetime allowance. You must monitor this yourself and seek financial advice or tax advice if required.
For more information about the lifetime allowance limits visit www.gov.uk/tax-on-your-private-pension

2.2 Not participating in GO

2.2.1 If you leave the Company

You'll no longer have access to GO.

2.2.2 If you opt out of the Plan

GO is only available to members who are still employed by the Company and contributing to the Plan. If you opt out of the Plan, you'll no longer have access to GO.

2.2.3 If you opt out of GO

You can opt out of GO by calling the Pensions Department at Affinity Water and letting them know you don't want to take part. If you opt out you won't receive any further communications from GO and you won't have access to the portal. You can opt back in at any point by contacting the pension team.

3 Compliance and regulatory information

3.1 Data Protection Act

3.1.1 Using your information

We will only use your data in order to make GO work. This will involve disclosing certain elements of your personal data to 'pre-approved' suppliers that we will use to operate GO. Rest assured that your data is safe and secure and will not be accessed by any third party unless absolutely required.
For the purposes of the Act, Affinity Water is a data controller in relation to the personal data we hold about you. Certain parts of this personal data (including name, address, national insurance number, pension contributions/benefits, and historic or 'legacy' data about you) will be transferred to Hymans Robertson LLP, the GO service provider, who will also be a data controller of your personal data for the purposes of assessing your pensions and retirement planning goals, and providing information to help you meet those goals. Your personal data may also be used for trend analysis and used by different parts of the GO service provider's business for this purpose.
Data in relation to your membership of the Plan will also be requested from your pension administrator.
You have the ability to opt out of your data being shared with GO at any time by contacting the HR department of your employer.

3.1.2 Data confidentiality

Confidentiality of members' data has been the highest priority throughout the implementation of GO.

3.1.3 Data security

We take the security of your data very seriously and Hymans Robertson LLP's ISO27001 systems and controls framework, which operates with client data, will be used to protect your privacy and data.

3.2 Financial Conduct Authority

3.2.1 Regulated disclosures

GO is provided by Hymans Robertson LLP who are authorised and regulated by the Financial Conduct Authority and are licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

3.2.2 Does GO provide regulated advice?

GO provides regulated advice but it is not personal to your circumstances nor has any suitability been taken into account. You should not use GO as your only source of retirement planning and should speak to an independent financial adviser if you are unsure about how best to save for later life and your personal circumstances.

3.2.3 Complaints procedure

If your complaint is about the Plan, in the first instance, you should contact the administrator: Hymans Robertson LLP on **020 7082 6182**
If you are still dissatisfied you can complain to the Pensions Ombudsman Service by writing to: Pensions Ombudsman Service, Belgrave Road, London SW1V 1RB.
We strive to provide you with the best possible service but if we do get things wrong for you and if your complaint is about GO or the non-personalised advice GO gives, please write in the first instance to: GO Complaints, Hymans Robertson LLP, 45 Church Street, Birmingham, B3 2RT or you can call on **0121 212 8160**.

3.2.4 Financial Ombudsman Service

We will aim to resolve your complaint to your satisfaction in a timely manner and keep you regularly updated about the progress of your complaint. However, once we have resolved your complaint and you remain dissatisfied you can refer your complaint to an independent body: The Financial Ombudsman Service, Belgrave Road, London SW1V 1RB

3.2.5 Seeking financial advice

A list of financial advisers can be found at www.unbiased.co.uk.

4 Your guide to pensions jargon

Term	Description
Annual allowance	The amount that can be paid into your pension account and all other arrangements each year and benefit from tax relief. Go to www.gov.uk/tax-on-your-private-pension for more details.
Annuity	A product that generally pays an income for the rest of your life.
Lifetime allowance	The amount you can save towards your retirement over your whole life and benefit from tax relief. Go to www.gov.uk/tax-on-your-private-pension for more details.
Pensionable salary	Your basic annual salary (unless you have other variable earnings which are considered pensionable).
Pension account	An account set up just for you in the Plan. Both you and the Company can pay contributions into it.
Consumer Price Index (CPI)	The Consumer Price Index (CPI) is a measure that estimates changes to the total cost of the goods and services bought by households.
Selected retirement age	This is the age that you intend to take your benefits from your pension account in the Plan.
State Pension age	The age at which you're usually entitled to State benefits.
Total target retirement income	How much you might need when you stop working.
Total target retirement income from this Plan	How much you're likely to need from the Plan for your retirement.

A large print version of the GO Rules is also available upon request.

Important information about GO

GO is a service provided by Hymans Robertson LLP (one of Affinity Water's pension advisers).

GO results are derived from the scheme design agreed specifically with Affinity Water where relevant.

GO provides regulated advice but it is not personal to your circumstances nor has any suitability been taken into account. You should not use GO as your only source of retirement planning and should speak to a financial adviser if you are unsure about how best to save for later life and your personal circumstances.

Review your pension regularly including contribution levels and investment choices, together with your attitude to investment risk and the risk you are willing and able to take, to see whether the decisions you made are still right for your current circumstances.

Past performance is not necessarily a guide to future performance and investment returns may go up as well as down.

The figures calculated by GO are illustrative only and not guaranteed. You may get more or less than the levels estimate.