



DC Pension Basics

What is a DC Pension?

DC stands for 'Defined Contribution'. The element of the pension that is fixed, or defined, is how much you and Affinity Water contribute to the Plan. The benefits that you can expect to get on retirement then depend on variables such as investment growth any fees for investment management, your contributions and salary increases until the time you choose to retire.

How Does It Work?

Both you and Affinity Water agree to pay in sums of money (contributions) each month into an account managed by our administrators, Hymans Robertson. You can vary how much you contribute and this money is taken from your salary and shown on your payslip. This is usually expressed as a percentage of your basic salary. The amount that Affinity Water puts in depends on how much you agree to contribute. Generally, for every £1 you contribute, Affinity Water will contribute £2. So, the total contribution of £3 goes into your Personal Account (to a maximum company contribution of 12%). Your contributions are taken before income tax is calculated and are tax-free to certain limits.

What Happens To My Contributions?

The money collected is invested with the expectation that these investments will grow over time. You can choose to make your own investment decisions from a list of available funds or select a 'Lifestyle' option, in which case investment decisions are taken on your behalf by the scheme.

In a Lifestyle option, the funds in which your money is invested vary based upon the length of time to your retirement.

When you are a long way from retirement, investments are focused predominantly on funds that track a mixture of global share markets. These markets historically offer a higher return over time but are more volatile. However, if your retirement is 40 years away, your fund is anticipated to be invested for long enough to ride out these fluctuations. As you approach retirement, it makes sense to take less risk and consolidate the benefits that you have built up. In a 'Lifestyle' option, your investments will be a higher proportion of bonds, cash and managed funds that offer lower volatility but with generally lower return.

The expectation, and general historical trend, is that the value of all these investments will increase over the long-term but this cannot be guaranteed. Investment can decrease in value.

What Can I Change?

Twice a year, you can elect to increase or decrease your contributions. At any time, you can change your planned retirement date and who you would like to get your benefits should you die in employment with Affinity Water. You can also leave the Plan at any time but will likely be automatically be re-enrolled every 3 years in line with I. See the Auto Enrolment factsheet for more information on this.

What Happens When I Retire?

When you decide to retire, you have many options as to what you can do with your accumulated pension pot. You can take all the money as cash, you can transfer it to a product known as 'income drawdown' or you can buy an annuity. In fact, you can do a mixture of all of these things and due to the new Pension Freedoms legislation you can access your funds once you reach 55. Please see the Pension Freedoms factsheet for more information.

Where Can I Get More Information?

All information about the Plan and your Personal Account can be found at www.affinitywaterpensions.co.uk