

DC Plan – the basics

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

How does it work?

You and Affinity Water both agree to pay 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. It's 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 so are tax-free to certain limits.

If you have opted for Smartpensions, all contributions are made by Affinity Water in exchange for a lower nominal salary.

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 on the length of time until 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 gradually be moved to a higher proportion of bonds, cash and managed funds that offer lower volatility but with generally lower expected return.

Going by general historical trends, the value of all these investments is expected increase over the long term. However, this cannot be guaranteed and investments can decrease in value.

What can I change?

At any time you can:

- elect to increase or decrease your contributions by emailing a completed contribution change form (available from [Affinity Water Pension Portal](#)) to the Payroll team [@pensionsadmin@affinitywater.co.uk](mailto:pensionsadmin@affinitywater.co.uk)
- change your planned retirement date and who you would like to get your benefits should you die in employment with Affinity Water
- leave the Plan, but it's likely that you'll be auto-enrolled every three years in line with government requirements. See the *Auto-enrolment* factsheet for more information on this.

What happens when I retire?

When you decide to retire, you have many options for your accumulated pension pot, which you would first transfer to another pension provider. 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 find more information?

All information about the Plan and your Personal Account can be found at

www.affinitywaterpensions.co.uk