# Affinity Water Pension Plan

# A Guide to the Final Salary Divisions for former members of the Veolia Water Supply Companies' Pension Plan (VWSCPP)

## Welcome & Outline of the Plan

This guide (March 2013 edition) to the **Plan** uses certain words that may require further explanation. All words shown in **bold** print are explained on pages 11 to 12.

This guide describes the provisions of the **Plan** that apply to members of the Final Salary Divisions who are former members of the Veolia UK Pension Plan (VUKPP) and who transferred to the VUKPP from the VWSCPP.

The **Plan** is governed by a trust deed and rules. These are complex legal documents that set out your rights under the **Plan**. Accordingly, the purpose of this guide is to give you a summary of the benefits provided by the **Plan**.

It should be noted that this guide is for information only and does not cover every detail of the **Plan**. It must not be taken in any way as modifying or interpreting the **Plan's** trust deed and rules. As noted above, your legal rights and obligations in connection with the **Plan** are not governed by this guide but by the trust deed and rules. If there is any conflict between the provisions of this guide and the trust deed and rules the latter will prevail.

### BENEFITS

The **Plan** provides the following benefits for you and your dependants:

- A pension and lump sum when you retire.
- A lump sum if you die in **Pensionable Service** before **Normal Pension Date**.
- A dependant's pension on your death before or after retirement.
- The option of either a preserved pension or a transfer of benefits if you leave the **Plan** having completed two or more years' **Pensionable Service** before retirement.

### ANNUAL STATEMENT

Each year, whilst you are an in-service member you will receive a personal statement of your **Plan** benefits.

### TAX ADVANTAGES

The **Plan** brings with it several important tax advantages:

- you get full tax relief on your contributions to the **Plan**.

- any lump sum death benefits paid to beneficiaries are normally tax-free.
- you are not taxed on the **Company's** contributions.
- the **Plan's** investments are given favourable tax treatment.

These tax advantages are based on current taxation law which may change in the future.

### HOW THE PLAN WORKS

You and the **Company** pay contributions into a special trust fund. The fund is kept quite separate from the **Company's** assets and is held and invested by the **Trustee**. The aim is to provide a fund that grows in value over the years and is able to provide the **Plan's** benefits when they become due.

## Your contributions

Members are required to contribute to the **Plan** at different rates, depending on their member classification. These different rates are set out in the Appendix to this guide.

The **Company** pays the balance of the cost of the **Plan**.

The net cost to you is less than it seems as your contributions are deducted from your earnings before income tax is calculated, so you automatically get tax relief on them. If you pay tax at the current basic rate of 20%, each £1 you pay only costs you 80p from your net pay.

The example below shows the contributions payable by a member who pays 6% with a **Pensionable Salary** of £18,000.

| **Example** | | |
|---|---|---|
| Current **Pensionable Salary** | £18,000 a year | |
| Gross contributions | £18,000 x 6% | = £1,080 |
| Less tax relief (20% at 6/4/2012) | £1080 x 20% | = £216 |
| Net cost | | = £864 a year |
| | | = £72 a month |

### ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

You can also pay **AVCs** to increase your retirement benefits. Your **AVCs** are paid into your own **AVC Account** which the **Trustee** sets up and maintains for you.

You choose how much you want to pay, but each year the total of the **AVCs** and your normal **Plan** contributions must not be more than 15% of your total earnings (unless the **Trustee** and the **Company** decide otherwise). Your **AVCs** are deducted from your earnings before income tax is calculated, so you automatically get tax relief on them.

At retirement, you agree with the **Trustee** how you want to use your **AVCs**. The total value of your **AVC Account** can be used, subject to any HMRC restrictions, to increase your own pension, provide extra pensions for your dependants or provide annual increases to any pension being paid. The **AVC Account** may be exchanged for a cash sum subject to Trustee agreement and any restrictions on the cash lump sum that apply at the time. Each year you receive a statement showing the **AVCs** you have paid and the value of the **AVC Account**.

Alternatively, by contributing a percentage of your **Pensionable Salary** up to your **Normal Pension Date** you can secure agreed added years of **Pensionable Service**. The percentage contribution required is determined by the **Plan's** actuary and depends on your age and **Normal Pension Date**.

Full details of the **Plan's AVC** arrangements can be obtained from the Affinity Water Payroll & Pensions Team.

## Your pension

Your pension at **Normal Pension Date** is worked out as follows:

**1/80 x Final Pensionable Salary x Pensionable Service**

Your pension is paid in monthly instalments and is paid for the rest of your life.

The example below shows how you can work out your pension (assuming you remain in **Pensionable Service** until your **Normal Pension Date**).

| Your details | Example |
|---|---|
| Date of birth | 3/10/55 |
| Date originally joined VWSCPP<br>(although became a member of the Plan on 28/3/13) | 1/4/03 |
| **Normal Pension Date** | 3/10/2023 |
| **Pensionable Service** | 20 years and 6 months |
| Present **Pensionable Salary** | £18,000 a year |

| Your pension | Example |
|---|---|
| Final **Pensionable Salary** (assuming for this example that it is the same as your present **Pensionable Salary)** | £18,000 a year |
| Divide by 80 (if 1/80 above) | £18,000 ÷ 80 = £225 |

| | |
|---|---|
| Multiply by **Pensionable Service** (i.e. 20.5 years) | £225 x 20.5 |
| Your pension | = £4,612.50 a year |

### CONTRACTING-OUT OF STATE SECOND PENSION (S2P)

At **State Pension Age** you would normally receive your **State Basic Pension** and any State Second Pension (**S2P**) (formerly known as **State Earnings Related Pension Scheme (SERPS)** pension) you may have earned. This is in addition to your **Plan** pension which is payable from your **Normal Pension Date** which may be different to your **State Pension Age**. However, while you are in **Pensionable Service** you are "contracted-out" of **S2P** on a salary-related scheme basis. This means that the **Plan** has to comply with an overall test of scheme quality in terms of the benefits it provides for you and your spouse in respect of **Pensionable Service** from 6 April 1997. This is known as the 'reference scheme' test and means that Plan benefits for that **Pensionable Service** must generally be equivalent to or better than benefits in the 'reference scheme' as set out in the Pensions Act 1995.

As you are contracted-out of **S2P**, you and the **Company** pay lower National Insurance Contributions on your earnings between the **Lower Earnings Limit** and the **Upper Accrual Point**. The reduction takes into account the benefits which the **Plan** provides in place of **S2P**. The rate of reduction is regularly reviewed by the Government and, at April 2012, it is 1.4% of earnings between the **Lower Earnings Limit** and the **Primary Threshold**.

### PENSION INCREASES

Once in payment, your pension is increased each year by the Index (currently this is the percentage increase in the **Consumer Prices Index**). The increases take place on each 6 April following your retirement. The increase does not apply to any pension provided from your **AVC Account** unless you so choose.

In relation to Pre-1987 Tendring Hundred Waterworks Members, your pension increase is subject to a minimum increase each year of 3% compound.

If your pension has been paid for less than 12 months when the increase is first due, the increase is scaled down according to the number of complete months between the date of your retirement and 6 April.

### EXTRA PENSION FOR DEPENDANTS

Before you retire, you may choose to give up part of your pension to provide an extra pension, payable on your death, for your spouse or another dependant. Further information is available from your local Pensions Contact or HR Department.

## Your lump sum

When you retire, you will receive a lump sum. The lump sum will be 3/80th x your **Final Pensionable Salary** for each complete year of **Pensionable Service** (plus a proportionate amount for each complete day).

| Example (using the same assumptions as above) | |
|---|---|
| Final **Pensionable Salary** | £18,000 a year |
| Divide by 80 | £18,000 ÷ 80 = £225 |
| Multiply by (3 x **Pensionable Service)** ie 3 x 20.5 = 61.5 | 225 x 61.5 = £13,837.50 |
| Lump sum | £13,837.50 |

## Your early and late retirement options

### EARLY RETIREMENT

With the **Principal Company's** and the **Trustee's** consent, you may retire on pension at any time after age 55.

Your early retirement pension and lump sum are calculated in the same way as your normal retirement pension and lump sum but based on your **Final Pensionable Salary** and completed **Pensionable Service** at the date you retire. The pension and lump sum are then reduced to take account of the earlier start date and the longer period for which it will be paid.

If you retire at the **Company's** request or on account of redundancy or severance, or in the case of a joint appointment, because the other person has left employment, or if you retire due to ill-health, the **Company** may determine that special provisions apply.

### PENSION INCREASES

Once in payment, your early retirement pension is increased each year in the same way as if it had become payable at your **Normal Pension Date**. The rate of increase is set out on page 4.

### LATE RETIREMENT

With the **Company's** consent, you may be able to continue working after your **Normal Pension Date**. Subject to **Trustee** and **Company** agreement, benefits may be payable before you actually retire. Alternatively, your benefits will be increased to take account of their later starting date. Your normal contributions to the **Plan** usually cease at your **Normal Pension Date**. You may continue to pay **AVCs**, and your **AVC Account** remains invested, until you retire.

Alternatively, by contributing a percentage of your **Pensionable Salary** up to your **Normal Pension Date** you can secure agreed added years of **Pensionable Service**. The percentage contribution required is determined by the **Plan's** actuary and depends on your age and **Normal Pension Date.**

Once your late retirement pension has started to be paid, it is increased each year in the same way as it is would have been had it become payable at your **Normal Pension Date**.

If you die after your **Normal Pension Date** but before you actually retire, your benefits are worked out as if you had retired on the day before you died.

# Benefits for your family

## DEATH IN PENSIONABLE SERVICE

The benefits payable to your family if you die depend on your category of membership.

If you die before your **Normal Pension Date** while employed by the **Company**, and as a contributing member of the **Plan**, the following benefits are payable.

### LUMP SUM BENEFITS

A lump sum of either three times' your **Pensionable Salary** at your date of death or, if greater, three times' your **Final Pensionable Pay**, or if you are:

- a Section G Member of the Affinity Water Pension Plan Final Salary (Central) Division (who is a former member of the Former North Surrey Water Limited Division of the VWSCPP); or

- a Section J Member of the Affinity Water Pension Plan Final Salary (East) Division (who is a former member of Veolia Water East Limited Division of the VWSCPP);

a lump sum of four times' your **Pensionable Salary** at your date of death or, if greater, four times' your **Final Pensionable Pay**.

The **Trustee** must decide who receives the money and may follow your wishes provided they have been notified to the **Trustees** beforehand. You should let the **Trustee** know how you would like any lump sums to be paid by completing an Expression of Wish Form which you will find in the Information Pack. You should make sure that your Expression of Wish Form is kept up to date by filling in a new form if your circumstances change or if you change your mind at any time. The forms are available from Affinity Water Payroll & Pensions Team.

### A DEPENDANT'S PENSION

A pension is payable to your spouse equal to: 1/12 of your Final Pensionable Salary for three months (short-term pension); and then either:

- 1/2 of your pension had you stayed in service until your Normal Pension Date (but based on your Final Pensionable Salary at your death); or

- in the case of Pre-1987 Tendring Hundred Waterworks Members, 2/3 of your pension.

Where a spouse's pension is payable, on the cessation of the spouse's short term pension a long-term pension of one-quarter of your pension had you stayed in service until your **Normal Pension Date** (but based on your **Final Pensionable Salary** at your death) is payable for each of your children (up to a maximum of two).

If no spouse's pension is payable, your child(ren) will be entitled to a short-term pension equal to the spouse's short term pension, and then a long-term pension of one third of your pension had you stayed in service until your **Normal Pension Date** (but based on your **Final Pensionable Salary** at your death) for each child (up to a maximum of two).

In relation to Pre-1987 Tendring Hundred Waterworks Members, if the pension ceases to be payable on the death of the spouse at a time when there is a surviving child, or if no spouse's pension is payable, the aggregate amount of the children's long-term pensions shall be increased to the amount of the spouse's pension.

### PENSION INCREASES

Once in payment, dependants' pensions are increased each year by the Index (currently this is the percentage increase in the Consumer Prices Index), with the minimum increase of 3% each year in respect of Pre-1987 Tendring Hundred Waterworks Members.

### RESTRICTIONS ON BENEFITS

Normally, the full lump sum death benefit is provided automatically without any enquiry into your state of health. Sometimes however, restrictions are placed on these benefits and you will be told if any apply to you, for example, if you did not join the **Plan** when you were first eligible to do so.

The lump sum death benefit is insured under an insurance policy specifically to provide this benefit. Payment of this benefit is subject to acceptance, and any terms and conditions imposed, by the insurer.

## DEATH AFTER RETIREMENT

### LUMP SUM BENEFITS

If you die within five years after your retirement, the unpaid balance of five years' pension is paid as a lump sum to your beneficiaries or estate.

### A DEPENDANT'S PENSION

A pension is payable to your spouse equal to: the pension to which you were entitled immediately before you died (or to which you would have been entitled if you hadn't chosen before you retired to give up part of that entitlement to your dependant) for three months (short-term pension); and then either

- 1/2 of that pension; or
- in the case of Pre-1987 Tendring Hundred Waterworks Members, 2/3 of that pension.

Where a spouse's pension is payable, on the cessation of the spouse's short term pension a long-term pension of one-quarter of your pension is payable for each of your children (up to a maximum of two).

If no spouse's pension is payable, your child(ren) will be entitled to a short-term pension equal to the spouse's short term pension, and then a long-term pension of one third of your pension for each child (up to a maximum of two).

### PENSION INCREASES

Once in payment, the dependants' pensions are increased by the same rate as if you had died in **Pensionable Service**.

# Joining and leaving the Plan

## JOINING

Only existing members of VUKPP as at 28 March 2013 may join the **Plan**. Your date of joining the **Plan** will be the day on which you transferred into the **Plan**. You may wish complete or update an Expression of Wish Form to let the **Trustee** know how you would like any death benefits to be paid. You may be asked to produce your birth and marriage certificates, your spouse's birth certificate and, if appropriate, your decree absolute at this time.

### OPTING OUT OF THE PLAN

You may opt out of membership at any time in the future. You must give the **Trustee** one month's notice in writing. You should note that, if you do opt out of membership, the only benefit payable (unless you have accrued preserved benefits under **Plan** - see below) will be a reduced death benefit equal to one times your **Pensionable Salary** at the date of your death, payable if you die before your 65th birthday whilst you continue working for the **Company**.

### PENSION FROM A PREVIOUS JOB

You should let your local Pensions Contact or HR Department know about any benefits you are entitled to from previous pension arrangements.

## LEAVING THE PLAN

### Your Preserved Pension

If you leave the **Plan** before your **Normal Pension Date** having completed two or more years' **Pensionable Service**, you are entitled to a preserved pension and lump sum payable from your **Normal Pension Date**. The preserved pension and lump sum are calculated in the same way as your normal retirement pension but based on your **Final Pensionable Salary** and completed **Pensionable Service** at your date of leaving.

Your preserved pension is increased each year over the period from your date of leaving to your retirement date by the **Index** (currently this is the percentage increase in the **Consumer Prices Index**).

Once it starts to be paid, your pension will be increased by the **Index**, except that a minimum increase of 3% each year will apply in respect of Pre-1987 Tendring Hundred Waterworks Members. You still have the same options of providing extra pension for a dependant or retiring early.

### DEATH BEFORE RETIREMENT

If you die before your preserved pension becomes payable, a lump sum equal to the cash lump sum that you would have been entitled to on retirement (adjusted for early payment, if appropriate) is paid to your estate.

Your dependants will be entitled to the same benefits are payable as if you died in service, except that a short-term pension is not payable if you die before your preserved pension becomes payable.

### DEATH AFTER RETIREMENT

If you die after retirement, benefits are paid in the same way as described in the section headed 'Death after Retirement' in 'Benefits for your family' but based on your preserved pension.

## TRANSFER OF BENEFITS

If you leave **Pensionable Service** at least one year before your **Normal Pension Date**, you may be able to transfer the cash equivalent of your preserved benefits to your new employer's scheme, to a personal pension scheme or to an individual insurance policy.

The cash equivalent is typically calculated as the lump sum which, if invested at the date of calculation in a notional pension scheme, would be sufficient to provide your preserved benefits at your **Normal Pension Date**. In making the calculation, the **Trustee** has to make assumptions about such matters as future investment returns and mortality rates and allowing for any guaranteed and statutory increases to be applied between the date you leave **Pensionable Service** and your **Normal Pension Date**. In setting the assumptions to be used for transfer value calculations, the Trustee will take advice from the **Plan** actuary.

As the **Trustee** has no practice of paying any discretionary pension increases over and above those described in this guide, these are not taken into account in calculating cash equivalents.

At any time, whether you have left **Pensionable Service** or not, you may ask the **Trustee** for an estimate of the cash equivalent of your **Plan** benefits on a particular date.

If the estimate of the cash equivalent is needed because of a divorce settlement, you should tell the **Trustee** this when asking for the estimate as the **Trustee** may need further information from you. Within three months of your request, the **Trustee** will give you a written statement showing your entitlement. The cash equivalent is guaranteed for three months from the date it was calculated and the statement is normally given to you within ten days of this date. The **Trustee** is not obliged to give you another statement within 12 months of your last request.

If you want to transfer the cash equivalent to another scheme or insurance policy, you must apply in writing to the **Trustee** within three months from the calculation date shown on the statement of entitlement. If you do not apply within three months, the cash equivalent is not guaranteed to be the same as that quoted to you.

# Appendix in relation to former members of the VWSCPP

## Member Contribution Rates

Section B Members of the Affinity Water Pension Plan (Shared Services) Final Salary Division (who are former members of the Veolia Water UK Final Salary Division of the VWSCPP) and

Section F Members of the Affinity Water Pension Plan Final Salary (Central) Division (who are former members of the Three Valleys Water Plc Final Salary Division of the VWSCPP)

| Member type | Member Contribution (as a % of your Pensionable Salary) |
|---|---|
| Manual employees | 5.0% |
| Employees other than manual employees | 6.0% |

Section G Members of the Affinity Water Pension Plan Final Salary (Central) Division (who are former members of the Former North Surrey Water Limited Division of the VWSCPP)

| Member | Member Contribution |
|---|---|
| All such members | 6.0% |

Section J Members of the Affinity Water Pension Plan Final Salary (East) Division (who are former members of Veolia Water East Limited Division of the VWSCPP)

| Member | Member Contribution (as a % of your Pensionable Salary) |
|---|---|
| All such members | 5.0% |

Section L Members of the Affinity Water Pension Plan Final Salary (Southeast) Division (who are former members of the Veolia Water Southeast Limited Division of the VWSCPP)

| Age | Member Contribution (as a % of your Pensionable Salary) |
|---|---|
| All such members | 5.0% |

# Definitions

This guide uses certain words that may require further explanation. The definitions below should help you understand any technical terms that may not be familiar to you.

## Additional Voluntary Contributions (AVCs)

These are contributions that you choose to pay to the Plan, over and above your normal contributions, to provide additional benefits. The AVCs are paid into an individual AVC Account set up by the Trustee and maintained on your behalf.

## Company

This means the company within the Affinity Group by whom you are employed.

## Final Pensionable Salary

This is your Pensionable Salary on your Normal Pension Date, or the date you retire or leave Pensionable Service if earlier. If higher, either of the two immediately previous figures for Pensionable Salary may be used. Special terms apply in respect of pre-1987 Tendring Hundred Waterworks Members.

## Index

This is the percentage increase determined by Regulations made under the Pensions (Increase) Act 1971 or section 59 of the Social Security Pensions Act 1975.

## Lifetime Allowance

This is the maximum amount of pension saving by an individual within a registered pension scheme that receives favourable tax treatment. For the 2012/13 tax year, the standard lifetime allowance is set at £1.5 million.

## Lower Earnings Limit

This is the level of annual earnings at which participants in S2P begin to build benefits. It is adjusted on 6 April each year and for 2012/13 is £5,564.

## Normal Pension Date

Your 65th birthday or, if earlier, the date on which you complete 25 years' service in this plan. If you completed 25 years' service in this plan before attaining age 60, your Normal Pension Date shall be the date you attain age 60.

## Pensionable Salary

This is your basic salary and contractual overtime earned in respect of the relevant pay period. Special terms apply in respect of Pre-1987 Tendring Hundred Waterworks Members.

The Company may determine from time to time that other allowances or payments (including the taxable value of benefits in kind) are also pensionable.

The amount of your Pensionable Salary may be subject to restrictions.

## Pensionable Service

This is the period of continuous service with the Company in years and complete months from the date you become a member of the Plan to your Normal Pension Date or date of leaving the Plan or death if earlier, subject to a maximum of 40 years.

## Plan

This is the Affinity Water Pension Plan.

## Pre-1987 Tendring Hundred Waterworks Member

This is a Section J Member of the Affinity Water Pension Plan Final Salary (East) Division who was on 1 November 1987 a member of the Tendring Hundred Waterworks Company Retirement Benefits Scheme and who joined the Veolia East Limited Division of VWSCPP from The Water Companies' Association Pension Scheme on 1 April 1996.

## Primary Threshold

This is an amount set each year by the Government which triggers liability for an employee and his employer to pay national insurance contributions. [In the 2012/13 tax year, the primary threshold is set at £146 a week.]

## Principal Company

This is Affinity Water Limited.

## State Basic Pension

If you have paid enough National Insurance contributions you qualify for the State Basic Pension at State Pension Age. The State Basic Pension is adjusted in April each year.

## State Pension Age

This is the 65th birthday for all men and for those women born after 5 April 1955. For women born between 6 April 1950 and 5 April 1955 inclusive, it is a date between their 60th and 65th birthdays. Over the next four decades, the Government has announced that this will increase above age 65 for men and women.

## State Second Pension (S2P)

This provides a pension related to your earnings (or notional earnings if you are a low earner).

## Trustee

This means Affinity Water Pension Trustees Limited.

## Upper Accrual point

This is the level of annual earnings at which you stop paying National Insurance Contributions. It is adjusted on 6 April each year and for 2012/13 is £42,475.

## VUKPP

This means the Veolia UK Pension Plan.

## VWSCPP

This means the Veolia Water Supply Companies' Pension Plan