

## Affinity Water Pension Plan – Funding Statement 2020

Welcome to your Affinity Water Pension Plan Annual Funding Statement. This Statement is to let you know about the financial position of the Affinity Water Pension Plan (our 'Plan'). A full valuation of the financial position of the Plan is done every three years, with annual updates in intervening years. The last actuarial valuation was carried out at 31 December 2020 and the purpose of this statement is to update you on the results of that valuation.

We hope you find this Funding Statement useful to help you understand the financial arrangements that support your retirement benefits.

### How does the Plan work?

The Plan delivers defined benefits as set out in the Plan's Trust Deed and Rules. These benefits are based on your pensionable salary and your period of membership of the Plan and are financed by contributions from Affinity Water Limited (the 'Company') and from members which are jointly paid into the fund. Together with the investment returns achieved, this fund covers the payment of benefits to Plan members and/or their dependants now and for the future. The running costs for the Plan are met by the Company.

### Understanding your Funding Statement

#### What does this word mean?

Pensions have a language of their own – words which have a specific meaning, and which are used as 'shorthand' when talking about them. Here is an explanation of some of the words we use in this statement.

#### Assets

This is all the money building up in the Plan as investments, bank balances and any money owed to the Plan.

#### Liabilities

This is everything the Plan owes now and the expected value of benefits it will have to pay to members and their dependants in the future.

#### Funding level

This is the assets divided by the liabilities. (If the value of the assets was equal to the liabilities the funding level would be 100%.)

**The Plan's financial position.**

At the date of the most recent formal actuarial valuation of the Plan as at 31 December 2020, the Plan's Actuary found:

The Plan had assets of	£574.0m
The amount the Plan needs to provide benefits was	£595.1m
This gave a shortfall of	(£21.1m)
This is the same as a funding level of	96.5%

At each formal valuation the Actuary reviews the assumptions and in 2020 some changes were made, mainly relating to long-term interest rates and expectations of inflation, which have increased the Plan's liabilities.

**How is the shortfall going to be paid?**

The Trustee and Company have agreed that any shortfall will be removed by a combination of the Company making contribution payments in accordance with the most recent Schedule of Contributions and investment returns on the Plan's assets.

**Payments to Company**

There have been no payments to the Company out of Plan funds in the period since last year's Summary Funding Statement.

**What if the Plan started to wind up?**

One of the periodic checks the Plan's Actuary carries out is to check the funding level of the Plan in the event that it was wound up with no further contributions from the Company. If at the last formal actuarial valuation, the Plan was discontinued and the liability for all benefit entitlements up to that date were transferred to an insurance company, the additional amount of assets the Plan would have needed to ensure benefits were paid in full (the full solvency position) was £106.2m. This is equivalent to a solvency funding level of 84%. We are required to estimate this figure in order to get a complete picture of the Plan's financial health, but it does not mean that the Company is thinking of closing the Plan and transferring benefits and assets to an insurance company.

**Statements about The Pensions Regulator's involvement with the Plan**

Legislation requires that we should tell you certain information about The Pensions Regulator's involvement in the Plan.

We confirm that The Pensions Regulator has made no modifications to or directions on the Plan.

We confirm that the Regulator has not imposed a Schedule of Contributions on the Plan.

**Keeping the Trustee informed**

So that we can continue to send you information about your pension, please remember to let us know if your address changes and if possible provide an up to date email address. This can be done via pensionsWEB.

Please also remember to keep your beneficiary nominations up to date via an Expressions of Wish form, particularly if your circumstances change. A form can be obtained from pensionsWEB.