Affinity Water Pension Plan

A guide to the Defined Contribution division

July 2023

Affinity Water

Let's be honest. Pensions can be a pretty dry and often daunting subject. But you really do need to think very carefully about your options. Because although retirement may seem a very long way away, there's no getting away from the fact that the pension decisions you make now will have far-reaching implications.

So do yourself a big favour: take time to understand your options so that you can make the right decisions for you.

This guide explains in simple terms how your pension works, what options you have and what benefits you can expect. If you need more detailed information, there's lots online – you'll find it on **Affinity Water Pension Portal** (www.affinitywaterpensions.co.uk).

As you'll see, in this booklet we've highlighted some words in **bold**. These terms are explained more fully in the *Glossary and sources of help and advice* on **Affinity Water Pension Portal**.

Who runs the Plan?

The Affinity Water Pension Plan is run by a **Trustee** company. To keep things simple, we'll refer to 'the Plan' and 'the **Trustee**'. Directors of the **Trustee** are nominated by Affinity Water Limited ('the Company') or by Plan members.

The **Trustee directors** are chiefly volunteer staff or pensioners and they are supported by specialist advisers. They work together to manage the Plan in line with current legislation and the **Trust Deed and Rules**. It's a huge responsibility, so all the directors receive formal training throughout their time as a **trustee** to make sure they're competent and confident to make the many important decisions that are part of the job.

All UK-based **pension plans** (or 'schemes') are overseen by **The Pensions Regulator**.

How do I join the Plan?

When you join Affinity Water, we'll give you information about the Plan and we'll automatically enrol you in the **Defined Contribution (DC)** Division.

The Government wants people to join a pension scheme and save for their retirement. That's why larger companies are required to 'auto enrol' new starters.

In practice this means that, even if you opt out, we'll periodically re-enrol you. You'll then have to opt out again if you still don't want to be in the Plan.

If you do opt out but then change your mind, you can re-join at any time by contacting the Payroll & Pensions team in writing.

How does it work?

You will be a member of the **DC** Division of the Plan.

Every month, you and Affinity Water contribute sums of money into a **Personal Account**. Your contribution is deducted from your salary. Up to 6%, Affinity Water will contribute double your contribution (to a maximum of 12%).

Many members have opted to pay their contributions via **SMART pensions**, which is a salary sacrifice scheme run by Affinity Water. Under this scheme, any contribution amount stays the same but all contributions are paid by Affinity Water in return for a reduced notional salary.

Your **pensionable salary** may well be larger than your basic annual salary because it may include things like shift allowances.

Your contributions will be invested in products that are expected to increase in value in the long term.

What happens to the contributions?

Based on your choices, professional fund managers invest the combined amount contributed by you and Affinity Water each month in things like shares, bonds and cash. It's anticipated that the value of these investments will increase over time, but there are no guarantees that this will be the case.

Can I change how much I contribute?

Yes, simply email your completed contribution change form to @ **pensionsadmin@affinitywater.co.uk**.

The contributions that you pay are deducted from your salary before the calculation of income tax. So they are free of tax.

If you want to pay more than 6% of your **pensionable salary** in contributions, that's fine. Contributions should be viewed as a long-term investment strategy. Before committing to an increase in your contribution amount, check carefully how this will impact on your personal budget. It's worth bearing in mind that over a certain limit (the **Annual Allowance**), they'll be subject to tax.

How much do I have to put in?

The current goverment auto enrolment legislation requires you to pay in at least 3% of your pensionable salary. Affinity Water then doubles this to 6%.

The table below shows how different contribution levels are applied.

Your contributions	Company contributions	Total contributions
3%	6%	9%
4%	8%	12%
5%	10%	15%
6%	12%	18%
6% or over	12% maximum (unless the Company agrees otherwise)	18% or over

How is my money invested?

How you want your contributions to be invested is up to you.

If, like most people, you don't have the experience or desire to make this sort of investment decision, a 'Lifestyle' investment strategy may well be your preferred option.

The **Trustee** and its advisers have designed three Lifestyle options: **Income Drawdown**, Cash and Annuity Purchase. Each applies a predetermined set of principles to your investment, depending on your age, how close you are to retirement and your preferred way of taking your retirement benefits. For example, as you get close to retirement your money will be moved to relatively lower-risk investments, to protect your funds from volatile market shifts.

It is worth noting that all these options apply the same investment strategy until you are five years from your **Normal Retirement Date**, so you need only to consider which option is most appropriate for you at this time.

If you don't select anything, you'll automatically be invested in the **Income Drawdown** Lifestyle option.

If you want to make your own decision about where to invest the money, you can choose from a list of available investment funds. This is called the Self-select option.

You can modify your investment choice at any time – you'll find more information about this in the *Your DC Investment Choices* guide, which is available on **Affinity Water Pension Portal.**

How can I find out how much my Plan is worth?

You can log on to **Affinity Water Pension Portal** at any time to view the current value of your **Personal Account**.

Please note that all contributions are invested in funds that can go down as well as up. A pension is a long-term investment and is designed to ride out the inevitable ups and downs of the market. Although it's expected that the value of the funds will increase over the longer term, this can't be guaranteed. All projections and estimates are issued for guidance only.

The cost of managing these investments is built into the prices paid for them. All administrative costs relating to the Plan are paid for by the Company.

What else do I need to decide?

When you join the Plan, you're advised to nominate a **beneficiary** – this is someone (or a number of people) who you'd like to benefit from the Plan if you die. Benefits include a refund of your **Personal Account** value and an insurance sum equal to seven times your **pensionable salary**. You should complete an **Expression of Wish** on the **Affinity Water Pension Portal** and regularly update it during your lifetime.

The **Trustee** is ultimately responsible for the decision about who would receive these benefits. There are also some legal restrictions that may come into play. However, your wishes will always be taken into account.

How do I leave the Plan?

If you want to stop paying into your pension scheme, you must provide the Company with 30 days' notice in writing of your intention to leave the Plan. The same applies if you decide to leave Affinity Water.

If you've contributed to the Plan for less than a month you will be entitled to a refund of your contributions, but these will be subject to tax.

If you've contributed for more than a month, you can either leave your **Personal Account** invested or transfer the value to another **pension plan**. The **transfer value** is usually the value of your **Personal Account** – if you want to go ahead with this transfer you'll need to contact the Plan administrator, Hymans Robertson. You can opt back into the Plan at any time.

What happens when I retire?

Around six months before your **Normal Retirement Date**, your retirement options will be explained to you.

The value of your **Personal Account** at this point depends on the amount of contributions you have put in and the growth of your investments. What you then do with this money is a very big decision indeed.

It's strongly recommended that you seek financial advice before making this decision, not least because this is also the point at which many fraudsters and scammers may try to relieve you of your money. You must take extra care to make sure that anyone you're dealing with is legitimate and has your best interests at heart.

An authorised financial adviser retained by the Company and Trustee can give you some information to help you decide what to do, at no charge to you. Alternatively, the adviser can provide more detailed advice, but you'll have to pay their fee, which is subsidised by the Company.

You could also take advantage of the free, government-backed guidance available from MoneyHelper (www.moneyhelper.org.uk), which is an impartial information service.

What are my retirement options?

Choose one of the options below – or a combination.

1. Income Drawdown

With this option you transfer your **Personal Account** to a third-party provider and agree a level of income to take flexibly from the 'pot'. Whatever's left in the pot continues to be invested in line with your investment choices. Up to 25% of the pot may be taken tax-free.

The advantages of this option are that your pot remains your property at all times (so it can be passed on to your **beneficiary** if you die early) and you can control the level of risk in the remaining funds. However, if you withdraw too much income in relation to the fund size and investment return, there's a risk of the pot running out before you die.

Evidence from across the pension industry shows that this is the preferred option for most people, so it's the default arrangement for the Affinity Water **DC** Plan.

2. Cash

You can withdraw your funds as a single payment or a short series of smaller lump sum payments. Only the first 25% of any lump sum will be tax free.

Although this option means you can access all your funds over a short period, you're likely to attract a larger tax bill as a result.

3. Annuity Purchase

You can take up to 25% of the value of your **Personal Account** as a tax-free lump sum and the remainder can be used to buy an **annuity**. An **annuity** means that you pay your remaining **Personal Account** to a third-party provider (such as an insurance company) and they guarantee you an income for the rest of your life.

The amount of income you receive will depend on a range of factors, including the value of your fund, your lifestyle (you are likely to be offered a better income if you are a smoker or have a history of ill health), whether you want your partner to continue to benefit from the **annuity** if you outlive them and whether you want the income to rise with inflation.

On the plus side, an **annuity** offers a guaranteed income during your lifetime, regardless of how long you live, and with no requirement for funds to perform well; but on the downside, the whole pot may be lost if you die earlier than expected – and if this happens, there will be no funds to pass on to your **beneficiaries**.

Can I retire early?

Pension freedoms legislation means that from the age of 55 anyone can retire and take advantage of their **Personal Account** to provide retirement benefits. However, if you're considering this option, it's strongly recommended that you seek detailed financial advice as to whether your funds are likely to provide the lifestyle that you want.

In the case of ill-health before age 55 the Company and **Trustee** would have to consent to early retirement.

Can I keep working?

With the Company's consent, you may continue working after your **Normal Pension Age**. You may also be able to remain a member of the Plan and keep paying regular contributions.

A lump sum will be payable on **death in service** until the age of 75 – as of 1 January 2021, this will be seven times your **pensionable salary**.

What benefits do I get from being in the Plan?

There are many advantages to being in the Plan:

- Affinity Water matches or doubles the contributions you make to the Plan
- it's expected that you'll see an increase in your **Personal Account** investments in the long term
- you are not taxed on your contributions to the Plan or those made by the Company
- if you die in service, Affinity Water will pay your **beneficiaries** a lump sum of seven times your **pensionable salary**. In addition, the value of your pension pot at the time of your death will be paid to your **beneficiaries**.

  Lump sum death benefits are paid at the discretion of the **Trustee** to your **beneficiary** or estate and normally no **inheritance tax** is paid on them. However, please note that tax may be due, should any combined payments exceed the **Lifetime Allowance**. The **Trustee** will determine your **beneficiaries**, who might include:

  – your family

  – someone who is dependent on you because of disability

  – any person not married to you who is financially interdependent with you and who relies on your income to maintain a standard of living that had depended on your joint incomes before the date of your death
- if your membership of the Plan were to end without you choosing to leave it (for example, if the Company were to cease to function), you have assurance that Affinity Water must, by law, put you in another pension scheme straightaway that meets the Government's standards.

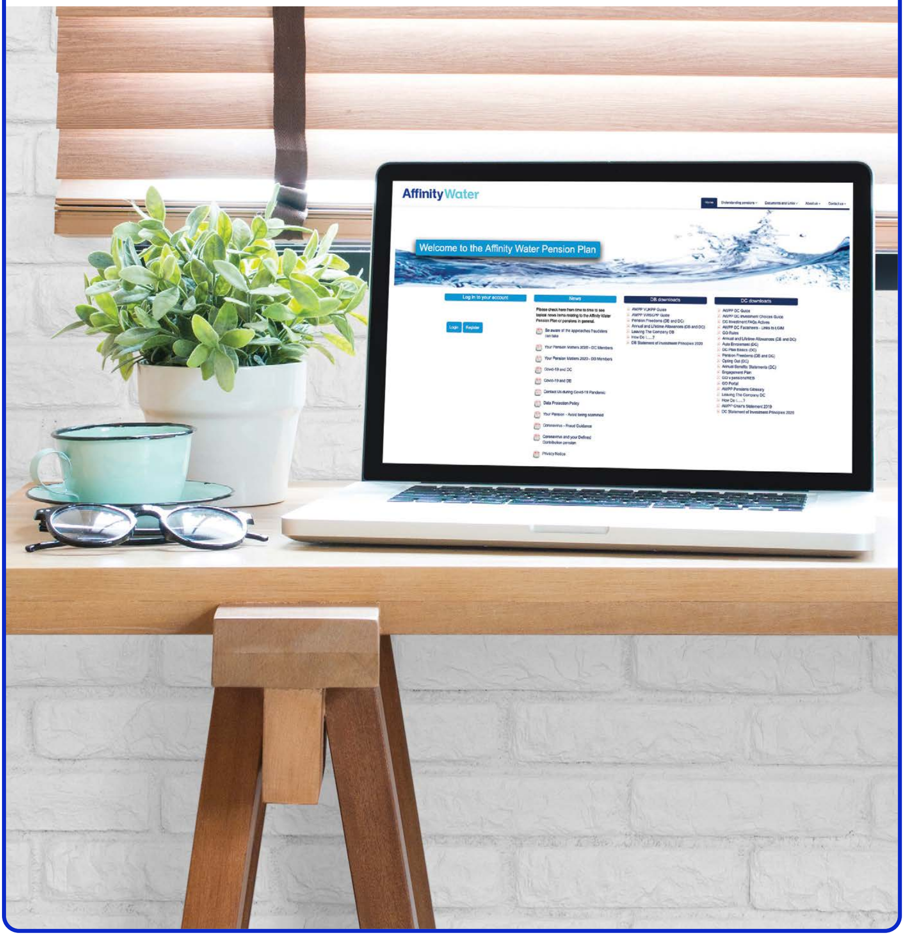
How can I find out more?

The best source of information is **Affinity Water Pension Portal**. You can access this 24/7 to find out about your Plan, make investment decisions, advise the **Trustee** of any change in your circumstances and see what your **Personal Account** is worth.

Each year you'll also receive the following:

- **Statutory Money Purchase Illustration (SMPI) statement**
  SMPI provides details of your pension fund as well as future projections of value and income, based on government-defined assumptions around fund growth

- ***Your Pension Matters* newsletter**
  Your Pension Matters includes details of the Plan, information about the UK pension industry in general and news updates.



What else do I need to know?

Maximum contributions

HMRC places a maximum combined value on the amount that you can invest tax-free in all your pensions each year (**Annual Allowance**) and the amount that you can invest tax-free over your lifetime (**Lifetime Allowance**).

If you have a personal or stakeholder pension you can contribute to both this and your Affinity Water pension, but the combined figures need to be considered for **HMRC** allowances.

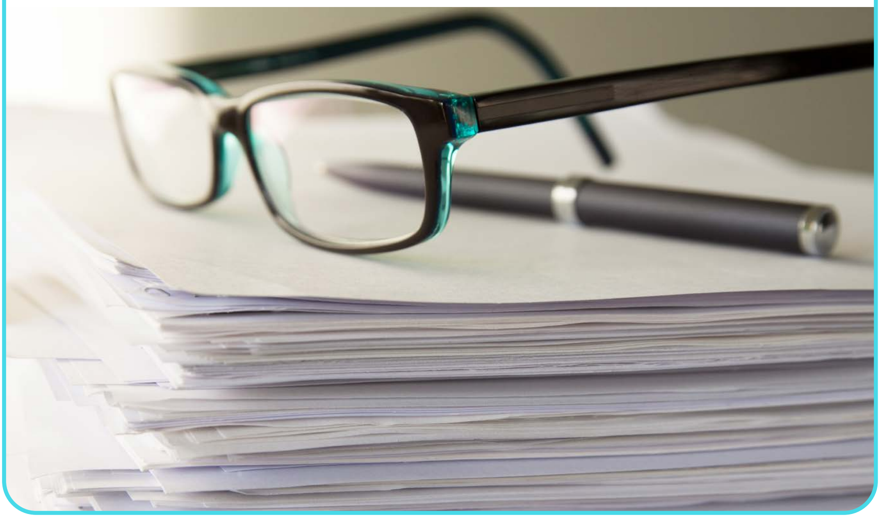
The 2021 tax-free limits for **Annual** and **Lifetime Allowances** are £40,000 and £1,073,100 respectively, but these are subject to change (and may be different for high earners) so please check the HMRC website for details.

Other pensions

Please note that information provided to you by the **Trustee** will only refer to your Affinity Water pension scheme. You'll probably have built up retirement benefits from other sources (such as your **State Pension** and previous employers), so make sure you include all these possible sources of income when you're projecting your retirement income.

If you have **DC** pension pots from previous employers you may be able to transfer their value to the Affinity Water scheme and so have all your pensions in one place. The **Trustee** has to approve such transfers and in some cases this may not be possible.

If you already pay contributions to a personal or stakeholder pension you can continue to do so after joining the Plan. Please note that Affinity Water will not pay any contributions to your stakeholder or personal **pension plan**.



Further information

Log onto **Affinity Water Pension Portal** in the first instance. You will find information, be able to complete or change your **Expression of Wish** and amend your bank details.

If you have any questions or comments on this guide, please contact the Trustees:

- trustee mail box : pensiontrustee@affinitywater.co.uk

If you are a member of the Plan and have any day-to-day queries about your pension, please contact:

• the Hymans Robertson helpline on **0207 082 6182** (affinity@hymans.co.uk).

Affinity Water

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