



Affinity Water Pension Plan

Your investment choices guide

Defined Contribution (DC) members

July 2023

AffinityWater

Making your pension savings work for you is a vital part of planning for a secure and enjoyable retirement. The benefits you enjoy when you retire depend, in part, on how much pension savings you have in your **Personal Account**, but also on how your pension savings are invested.

This guide looks at your options and explains what your choices are. It's split into the following sections:

1. Your choices – an overview

A summary of the options available to you and some key points to note

2. Your investment choices explained

An explanation of what your investment options involve

3. Investment funds

Information about the funds behind your investment options

4. What you need to do now

How to make your investment choice and instruct the **Trustee**

5. If you're still uncertain...

How to get more information, to help you decide.

If you need more detailed information, there's lots online – you'll find it on the **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**.



Your choices – an overview

As a member, you choose how your pension savings are invested.

A Lifestyle investment will automatically change the funds you're invested in based on how close you are to retirement. There are three Lifestyle options that are designed to reflect how you ultimately expect to use your retirement savings.

- **Option 1: Income Drawdown**
- **Option 2: Cash**
- **Option 3: Annuity Purchase**

A Self-select investment allows you to choose your own investment mix from a range of options offered by the **Trustee**.



Option 1:
Income
Drawdown



Option 2:
Cash



Option 3:
Annuity
Purchase

Your investment choices explained

Lifestyle

The three Lifestyle options will all invest in the same way until you are five years from retirement. If you are within five years of retirement and want to invest in a Lifestyle option, it's important to consider which one is most appropriate to you.

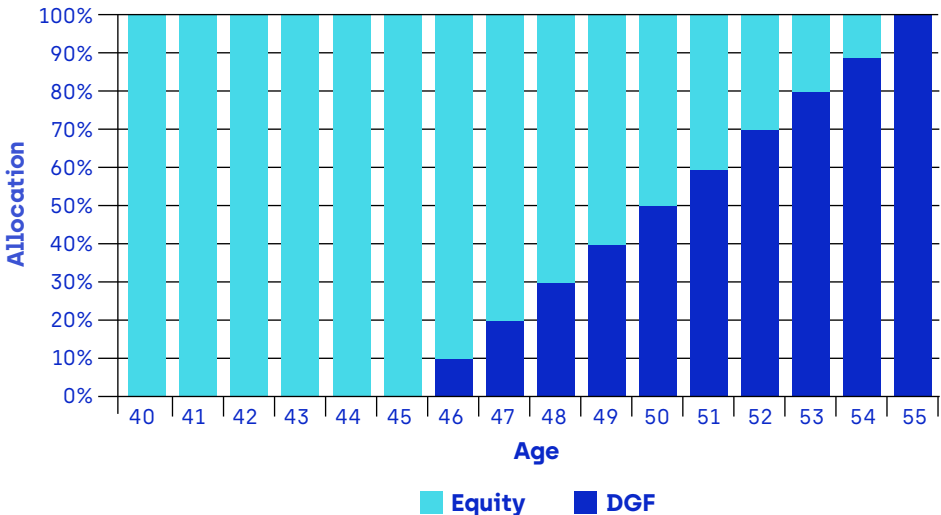
Your period of investment can be considered in three distinct phases – Accumulation phase, Pre-retirement phase and Post-retirement.

Accumulation phase

This phase covers the earlier years of your membership of the Plan, up to age 45. We believe it's appropriate for members to invest initially in a high expected return, low cost asset class, like a passive global equity fund ('equity' – in other words, shares).

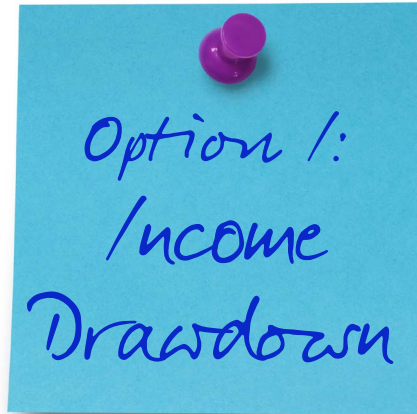
However, a diversified growth fund (DGF) will be introduced gradually in the later stages of this phase (from age 45), by which time you may have built up a more sizeable pension pot. This will provide some protection of that pot through diversification across different asset classes with the aim of reducing overall investment volatility.

How you'll be invested and how this will change over time during the accumulation phase is illustrated in the following chart:



Pre-retirement phase

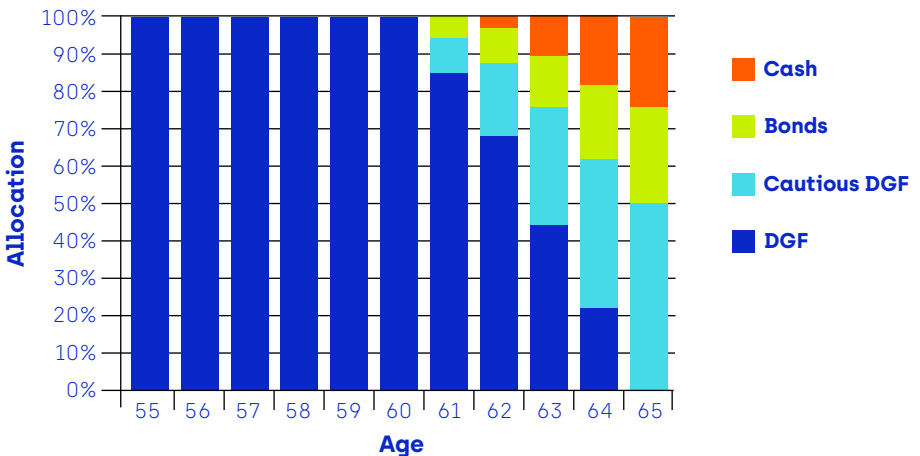
This phase covers the five-year period before your target retirement date. During the pre-retirement phase your fund allocation will diverge according to which of the three Lifestyle options you choose.



Please note: This is the default option if you don't choose another option.

Income Drawdown is designed for members who, when they retire, don't want to take their whole pension pot as cash or buy an **annuity**, but wish to remain invested and flexibly take benefits in retirement. The strategy continues to seek investment returns at the point of retirement, but with less risk than during the accumulation phase.

In the five years before your retirement age your investments will be switched gradually into a mix of a cautious DGF, bonds and cash so that when you retire your pension fund will be invested 50% in cautious DGF, 25% in bonds and 25% in cash (see illustration below).

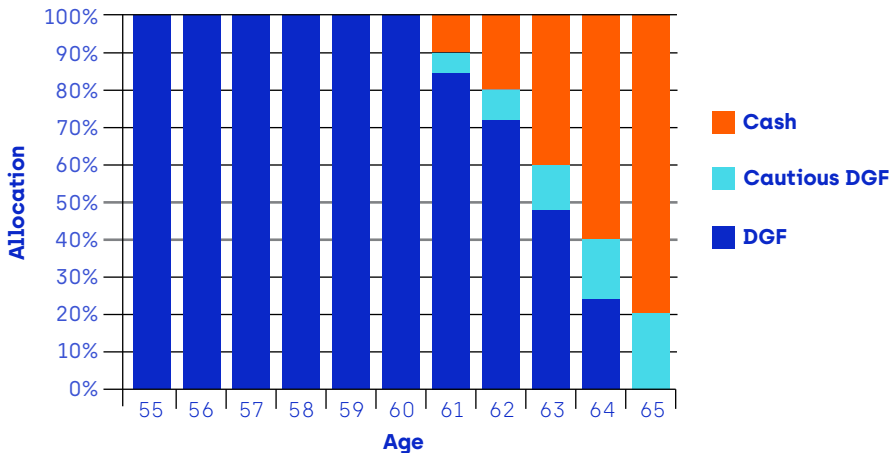




Option 2: Cash

The Cash option is designed for members who are likely to take their pension pot in one lump sum, or in a small number of lump sums, when they retire. The strategy aims to preserve the cash value of their fund as they near retirement, rather than achieve further growth. You need to select this option if this is your preferred choice.

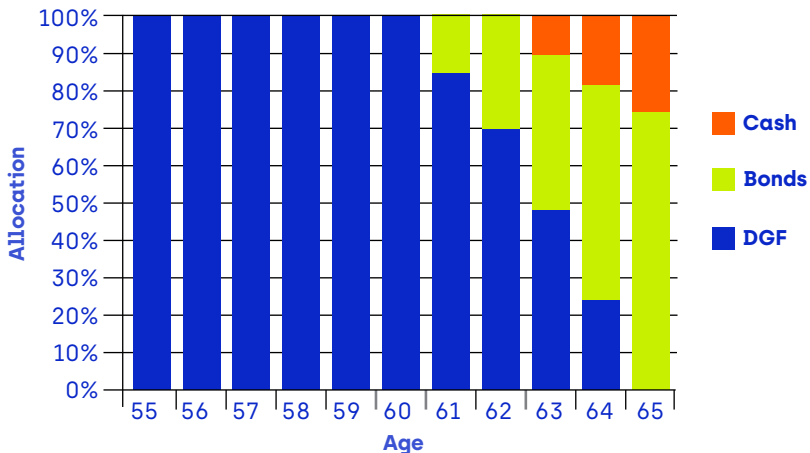
In the five years before retirement age your investments will be switched gradually into a cautious DGF and cash so that when you retire your pension fund will be invested 20% in cautious DGF and 80% in cash (see illustration below).



Option 3: Annuity Purchase

Annuity Purchase is designed for members who want to buy an **annuity** at retirement that gives certainty of both the amount of pension income and continued payment until death (and certainty of the amount of pension for a spouse). The strategy aims to maintain their **annuity** purchasing power as they near retirement. You need to select this option if this is your preferred choice.

In the five years before your retirement age your investments will be switched gradually into bonds and cash so that when you retire your pension fund will be invested 75% in bonds and 25% in cash (see illustration below).



Post-retirement phase

At retirement you will leave the Plan to obtain your chosen benefits – this is the post-retirement phase. You can choose to take your pension pot as cash or a series of cash sums, purchase an **annuity**, or continue to invest your pension pot by moving it to an appropriate 'drawdown' product from which you flexibly receive income. Currently a free service from an independent provider is available if you wish to secure an **annuity**. They can also provide advice and additional services for a fee.

Important note about Lifestyle strategies:

Please note that all Lifestyle strategies will automatically be geared towards your normal retirement age of 65, unless you have specified otherwise. If you don't intend to retire at age 65, you should change your target retirement age by contacting Hymans (you'll find details of how to do this at the end of this guide). However, please note that a change to your target retirement age can (depending on your age) significantly change your investment strategy.

Self-select

You aren't restricted to the Lifestyle options and are free to make your own choices from a selection of funds. The Self-select funds available are designed to provide a wide range of choice to satisfy the investment needs of members, and are outlined in the table below.

Asset Class	Fund
Equity	L&G World Equity Index Fund
	L&G UK Equity Index Fund
Diversified growth	L&G Dynamic Diversified Fund
	L&G Retirement Income Multi Asset Fund
	L&G Pre-Retirement Fund
Bonds	L&G AAA-AA-A Corporate Bond All Stocks Index Fund
Cash	L&G Cash Fund
Property	L&G Managed Property Fund

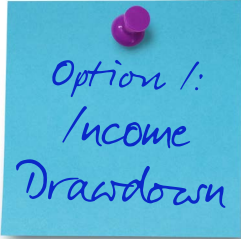
Lifestyle – investment funds

For all three Lifestyle strategies we use the:

- Affinity Water World Equity Fund [AWWEF] for the early accumulation phase
- Affinity Water Diversified Growth Fund [AWDGF] for the later stages of the accumulation phase.

Gradual switching from the AWWEF to the AWDGF begins 20 years from retirement so that members are fully invested in the AWDGF when they are 10 years from retirement.

Please note: This is the default option if you take no further action



Option 1:
Income
Drawdown

During the pre-retirement phase of **Income Drawdown** we use the:

- Affinity Water Diversified Income Fund [AWDIF]
- Affinity Water Corporate Bond Fund [AWCBF]
- Affinity Water Cash Fund [AWCF].

Five years from retirement your allocation to the AWDGF will be switched gradually to the AWDIF, AWCBF and AWCF. Allocation at the target date of retirement will be 50% AWDIF, 25% AWCBF and 25% AWCF.



Please note: Use the 'Investment Choices' form to select this option

*Option 2:
Cash*

During the pre-retirement phase of the Cash option we use the:

- AWCF
- AWDIF
- AWDGF.

Five years from retirement, your allocation to the AWDGF will be switched gradually to the AWCF and AWDIF. Allocation at the target date of retirement will be 80% AWCF and 20% AWDIF.

Please note: Use the 'Investment Choices' form to select this option

*Option 3:
Annuity
Purchase*

During the pre-retirement phase of Annuity Purchase we use the:

- Affinity Water Pre-Retirement Fund (AWPRF)
- AWCF
- AWDGF.

Five years from retirement, your allocation to the AWDGF will be switched gradually to the AWPRF and AWCF. Allocation at the target date of retirement will be 75% AWPRF and 25% AWCF.

The following table sets out the annual investment charges of the Lifestyle fund options. As the blend of funds changes over time, we have set out the range of fees payable:

Lifestyle fund	Minimum AMC* %pa	Maximum AMC* %pa	Minimum TER** %pa	Max TER** %pa
Income Drawdown	0.21	0.50	0.21	0.51
Cash	0.17	0.50	0.17	0.51
Annuity Purchase	0.14	0.50	0.14	0.51

* AMC = annual management charge

** TER = total expense ratio (this is the AMC plus any additional costs of running the fund)

Self-select – investment funds

The table below shows the range of funds you can choose from, to create your own investment mix.

Funds
L&G World Equity Index Fund
L&G UK Equity Index Fund
L&G Pre-Retirement Fund
L&G AAA-AA-A Corporate Bond All Stocks Index Fund
L&G Cash Fund
L&G Dynamic Diversified Fund
L&G Retirement Income Multi Asset Fund
L&G Managed Property Fund

You'll find factsheets for all the funds, including performance data, on [Affinity Water Pension Portal](#).

The following table sets out the annual investment charges of the Self-select fund options.

Fund	AMC %pa	TER %pa
L&G World Equity Index Fund	0.20	0.20
L&G UK Equity Index Fund	0.10	0.10
L&G Dynamic Diversified Fund	0.50	0.51
L&G Retirement Income Multi Asset Fund	0.35	0.36
L&G Pre-Retirement Fund	0.15	0.15
L&G AAA-AA-A Corporate Bond All Stocks Index Fund	0.15	0.15
L&G Cash Fund	0.125	0.13
L&G Managed Property Fund	0.70	0.72

What you need to do now

If you want to invest into the default fund [Income Drawdown] you don't need to do anything.

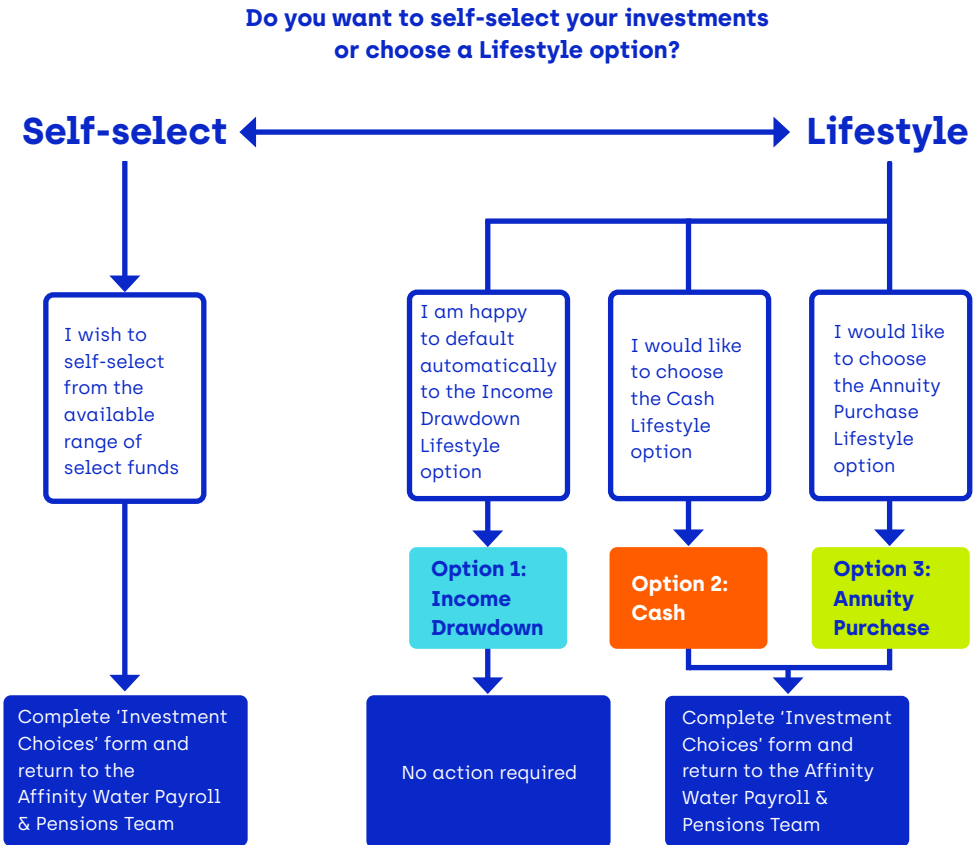
If you want to invest in the Cash or Annuity Purchase option, you need to select the appropriate option on the 'Investment Options' form.

If you want to self-select your fund(s), you need to select the fund(s) on the 'Investment Options' form.

You can always change your investment choices in the future. You can also review your investments on **Affinity Water Pension Portal** at any time.

Wherever your pension contributions are invested, you should review your investment and retirement decisions. Remember that two key factors determine the level of your retirement income: the amount you save (your contributions) and the investment return you receive on your savings.

Use our handy flowchart (see below) to guide you through your investment decision.



If you're still uncertain...

If you're unsure about investment choices, we recommend that you obtain independent financial advice. If you don't have a financial adviser you can find one at www.unbiased.co.uk or go to www.moneyadvice.service.org.uk

If you have any questions, Hymans will be happy to help.

You can get in touch:

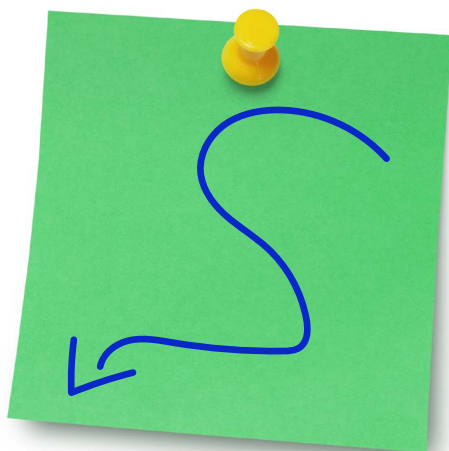
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📱 **Affinity Water Pension Portal**

Please note that Hymans is not authorised to give investment advice to individuals.



This is important

You're strongly encouraged to make your own decisions about where your pension savings should be invested, in the same way that you make your own decision on who you bank with or who you take a mortgage out with.

If you don't make your own choice, your **Personal Account** will automatically be invested in the **Income Drawdown** option, in the proportions shown on pages 4 and 5. This default option may not be the most suitable option for you.

The Lifestyle options will be geared towards your **Normal Retirement Date** (age 65) unless you notify Hymans or the Payroll & Pensions team that you intend to retire at a different target retirement date [see page 8]. Please note that stating an intention to retire at an age other than 65 does not guarantee that you will receive the necessary consent(s) from your Company to do this.

If you choose the Self-select route, it is your responsibility to seek independent financial advice and choose the funds that you want to invest in accordingly. Also, although the **Trustee** will monitor the overall performance of the Investment Manager and each of the available funds, it is also your responsibility to check that you're satisfied with the investment performance of your selected fund(s) and to make changes to your selection if you think it is appropriate. The **Trustee** will continue to monitor the appropriateness of the funds being offered to you.

The **Trustee**, Hymans and the Payroll & Pensions Team are unable to give you financial advice – only a registered Independent Financial Adviser can do that. Nothing in this guide is intended to act as investment advice.

Please note that the value of your investments can go down as well as up and you may not get back the amount you have invested. Visit **Affinity Water Pension Portal** for more general investment information and to review your investments regularly. You should receive a password and instructions once you've started contributing to the Plan.

Further information

Log onto the **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).

AffinityWater

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