



Defined Contribution (DC) members

Your pension matters

Information about your Affinity Water Pension Plan

Issue 11 | November 2024

AffinityWater

Welcome

We hope you are keeping safe and well.

Your Pension Matters is our annual newsletter about the Affinity Water Pension Plan (which we'll refer to as 'the Plan'). In this issue we cover a range of topics that we believe will be of interest to you, including the latest pensions news, an investment update and our annual accounts. If you have any content ideas for future newsletters, we'd love to hear from you.

Lauren Schogger and Beth Venis stepped down from the Board in December 2023 and have since left the business. I'd like to thank them for their valued contribution and dedication during their time in office, both to the Board and to the Plan's members.

Following a successful nomination and selection process, we welcomed Dina Pope and Steve Spencer to the Board as Employer Nominated Directors. Both were officially appointed at our December Board meeting.

I'd like to thank the entire Pension Trustee team for their hard work, commitment and continued dedication, and for supporting me to manage the Plan in the best interests of all our members. Welcome to the team, Dina and Steve – it's great to have you on board!

Michael Calabrese, Chair

In August 2023 we launched our **Pension Portal**, a new, mobile-friendly tool with a greatly improved self-service option. We aim to launch the retirement planner for Defined Contribution members in 2025, along with a series of webinars explaining how it works.

If you need clarification on any pension-related issues, please visit the Portal. If you can't find the information you need, feel free to email the Pension Trustee or call the Hymans Robertson helpline (contact details are provided on page 3).

On the Board

The Trustee Board changed in December 2023 and now comprises:



Michael Calabrese
– Chair and Employer Nominated Director



Eddie Lintott
– Member Nominated Director



Dina Pope
– Employer Nominated Director



Steve Spencer
– Employer Nominated Director



Thomas Stoten
– Member Nominated Director



Hetal Kotecha
– professional Independent Trustee Director, Independent Governance Group.



The Trustee Company Secretary is **Florence Anichebe**.

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Three organisations provide specialist services and advice to the Trustee:

- **Hymans Robertson**
– administration, actuarial services and investment management
- **Eversheds Sutherland** – legal
- **KPMG** – the Plan's auditor.

Managing your pension plan

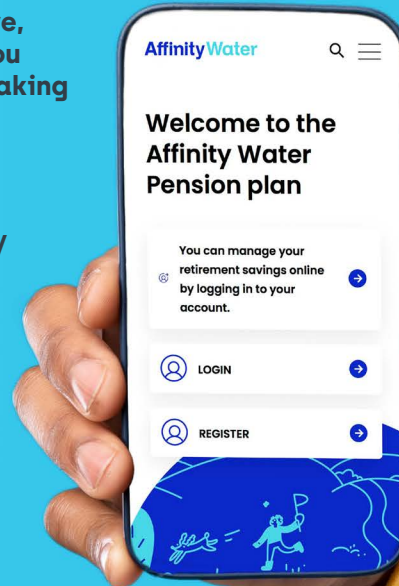
Last year we launched our Pension Portal. Intuitive, secure and simple to navigate, the Portal gives you instant access to all your pension information, making it easier for you to manage your pension.

Registering online takes just a couple of minutes – here's how to do it:

- visit <https://www.affinitywaterpensions.co.uk/>
- click on 'Register'
- enter your details (surname, date of birth, national insurance number, personal mobile and personal email address).

You can access the Portal on any device and any platform to do the following tasks and more:

- update your personal details in real time
- view your current fund value
- access your statements
- request a retirement quote (if you are approaching normal retirement age).



For everything you need to know about pensions, including the State Pension, visit our website.

Have you completed your Expression of Wish form?

If you pass away while you're still a member of the Plan, some of your pension entitlements may pass to your surviving spouse, civil partner or dependant(s). But if you haven't completed your Expression of Wish form, the Trustee may not be aware of your final wishes. Don't put off this important task – the Pensions Portal makes it quick and easy.

If you're approaching retirement...

You should receive a retirement pack from Hymans Robertson around six months before your normal retirement date. To prevent unnecessary hold-ups, register online for the Portal and double-check that your contact details and preferred method of communication are up to date.

Hymans Robertson – happy to help

Some changes can't currently be made on the Portal, like initiating a transfer into the Plan or changing your investment choices. You'll need to contact Hymans Robertson instead, via the helpline (0207 082 6182) or by email [affinity@hymans.co.uk].

Email the Affinity Water Payroll team if you have a query about:

- **contributions** (including making changes)
 - retirement – outside of the normal retirement age or before requesting a retirement quote
 - payroll deductions or your payslip.
- @ pensionsadmin@affinitywater.co.uk

We recommend that you seek independent financial advice before taking any actions in relation to your retirement savings plans.

Don't let a scammer enjoy your retirement

Scammers can be articulate and financially knowledgeable. They often have credible websites, testimonials and materials that are hard to distinguish from the real thing.

They create attractive offers designed to lure you into a trap: they want you to transfer your pension pot to them or to release funds from it. Your money is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units – or simply stolen outright.

Scam tactics include:



contact out of the blue



promises of high or guaranteed returns



an offer of a free pension review

55

access to your pension before age 55



pressure to act quickly



If you suspect a scam:

- report it to the Financial Conduct Authority [FCA] on **0800 111 6768** or at www.fca.org.uk
- report it to Action Fraud on **0300 123 2040** or at www.actionfraud.police.uk
- if you're in the middle of a transfer, contact Hymans Robertson immediately, then get in touch with www.moneyhelper.org.uk

Protect yourself from pension scams

1. **Reject unexpected offers**
2. **Check who you're dealing with**
3. **Don't let anyone rush or pressure you into making a decision**
4. **Get impartial information and advice**

MoneyHelper provides free independent and impartial information and guidance.

Financial advisors – make sure the one you use is regulated by the FCA. Never take investment advice from the company that contacted you or an advisor they suggest, as this may be part of the scam.

PSIG

PENSION SCAMS INDUSTRY GROUP

The Trustee Directors committed to the Pensions Scam Pledge by taking action to protect our members and to follow the principles of the Pension Scams Industry Group's Code of Good Practice.



Market background

Global growth has been stronger than expected during the past 12 months, particularly in the US. Given the ongoing improvements in activity survey data, global growth forecasts for 2024 have also been revised upwards and now suggest only a marginal slowdown in 2024 compared to 2023.



Headline Consumer Price Index (CPI) inflation in the UK fell from 10.1% in March 2023 to 3.2% in March 2024. Meanwhile core inflation in the UK, which excludes volatile energy and food prices, fell from 6.2% to 4.2% and has subsequently fallen further.

During the same period, the Bank of England responded by raising its base rate of interest from 4.25% to 5.25%. However, given the fall in inflation, the major western central banks have left rates unchanged from the summer of 2023. As of Q1 2024, markets were expecting between two and three interest rate cuts in 2024. At the time of writing, the Bank of England has since reduced the base rate of interest to 5%, reflecting one 0.25% cut.

Government bond yields rose sharply in March 2024 amid expectations that rate cuts might be smaller than previously anticipated. The annual yields on UK 10-year bonds rose by 0.4% to 3.9%.

Global credit spreads fell, reflecting both the improved outlook and yield-driven demand from institutional investors. In the last 12 months, annual global investment-grade credit spreads declined by 0.5% to 1.0%; while annual global speculative credit spreads fell by 1.6% to 3.4%. Despite a rise in underlying government bond yields, UK investment-grade credit delivered a 7.4% return.

Global equity markets rose by 25.0% amid improving economic activity, declining inflation and enthusiasm for all things AI. Japan strongly outperformed as yen weakness lent support to the export-heavy index and optimism around corporate governance reforms gained momentum. North American equities modestly outperformed, given their large exposure to the outperforming technology sector. UK equities underperformed, given their small exposure to technology and above-average exposure to underperforming energy and basic materials.

Industry news

Changes to the Retirement Living Standards

The Pensions and Lifetime Savings Association (PLSA) updated its **Retirement Living Standards** (RLS) in February. The standards were introduced in 2019 to help savers think about what kind of lifestyle they would like to have in retirement, and how much they would need to fund it.

The latest RLS update shows an increase in the cost of retirement, driven by the rising cost of living and by changes in the UK public's expectations of the lifestyle they would like in retirement.

Visit the [PLSA website](#) to explore what life in retirement might look like at three different levels (minimum, moderate and comfortable), as well as the likely cost of common goods and services.

New national pensions dashboard

The Pension Schemes Act 2021 created a legislative framework requiring all pension providers and schemes to connect to a new national pensions dashboard. This will enable users to view all their pension information securely, online and in one place.

This project is currently under development, and we will be working with Hymans Robertson to make sure we are ready to connect to the national dashboard on 31 August 2025 ahead of the public rollout of the dashboard (the go-live date is anticipated to be 2027). We'll keep you posted on our progress.

NMPA to rise from 55 to 57

The Normal Minimum Pension Age (NMPA) is the earliest age when members of registered schemes can access their benefits without incurring an unauthorised payment tax charge. Some members who are in poor health or have an existing 'protected pension age' may be able to take their benefits earlier.

On 6 April 2028 the NMPA will rise from 55 to 57 (except for members of uniformed public service schemes).



Investment update

An overview from Hymans Robertson

As at 31 March 2024, the Plan's DC assets totalled approximately £75m.

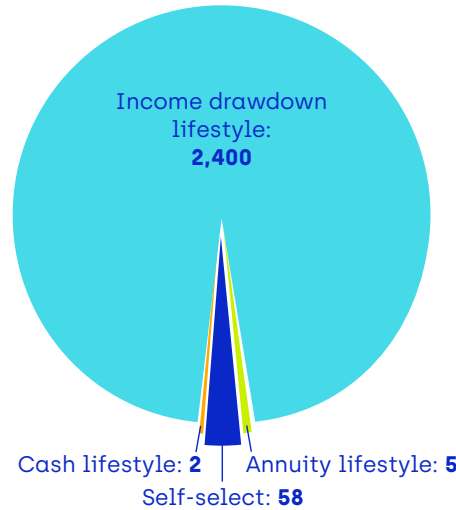
Members can invest in a lifestyle option – this is where investments are made on a member's behalf according to a pre-determined investment strategy.

The income drawdown lifestyle is the default option for members who do not make a decision on their investments or on the type of lifestyle strategy for their DC pot. DC members who wish to make their own investment choice can choose to invest their savings and contributions in any of the self-select range of funds available in the DC section.

There are three different lifestyle investment options. Each automatically changes the funds a member is invested in, based on how close they are to retirement. The options reflect the type of retirement benefit that a member may be expected to target.

You can find more details on how the Trustee constructs the Plan's asset allocation in the Trustee's Statement of Investment Principles at www.affinitywaterpensions.co.uk.

The DC membership of the Plan as at 31 March 2024



Lifestyle	Target retirement benefits	Strategy in the approach to retirement
Income drawdown	Assumes that members will use their DC pot to draw an income in retirement	Invests in a diversified range of assets to maintain prospects for savings growth while providing some stability of the value of savings
Annuity purchase	Assumes that members will use their DC pot to purchase an annuity at retirement	Invests in funds that should help protect the member's annuity purchasing power
Cash	Assumes that members will use their DC pot to take a cash lump sum rather than regular income	Invests in lower-risk assets to protect the value of savings against changes in the market

Industry news

Lifetime Allowance abolished

The Lifetime Allowance (LTA) used to limit how much you could build up in pension benefits over your lifetime before an additional tax charge was applied. The LTA charge was removed on 6 April 2023 and abolished from pensions legislation 12 months later.

Two allowances introduced

The amount you can receive tax-free from registered pension schemes will be limited by two new allowances: the Lump Sum Allowance (LSA) and the Lump Sum Death Benefit Annual Allowance (LSDBA).

New certificate

Transitional tax-free amount certificates (TTFACs) are being introduced. If you took benefits before 6 April 2024, you should consider whether applying for a certificate will be beneficial for you or not – the outcome will depend on your individual circumstances.

Seek independent financial advice before applying for a TTFAC!

It's very important to note that once you apply for a TTFAC there is no option to withdraw the certificate, even if it results in a worse outcome than the standard transitional calculation.

Reduced NI contributions

The Government has lowered National Insurance (NI) twice this year, reducing it from 12% to 10% on 6 January, then from 10% to 8% on 6 April. This means you'll see an increase in your pay packet – around £249 extra a year for a salary of £25,000 and around £449 extra for a salary of £35,000. Have you considered redirecting this as additional contributions into the pension plan?

Changes in the DC Plan over the year

Following a review of the DC investment strategy in 2021, the Trustee agreed to make some changes to the 'growth phase' [the period more than 20 years to retirement]. The changes to the new strategy were completed in March 2024.

Following consideration by the Trustee Board and incorporating feedback from Plan members, the new fund will have a greater focus on investing in a more sustainable way. The underlying funds, managed by Legal & General, exclude companies that are involved in the following:

- coal mining
- manufacturing controversial weapons
- breaching the United Nations Global Compact [laws governing human rights, labour and corruption].

The funds also 'tilt' investments towards companies that attain higher environmental, social and governance (ESG) scores and aims to cut its carbon emissions by 50% and then a further 7% annually in comparison to a standard global equity index.

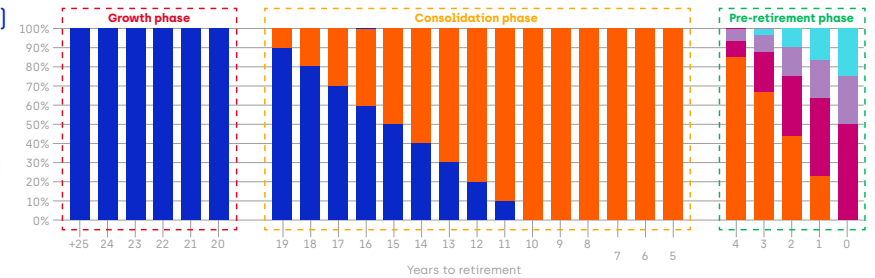
Back in 2017, during the run-up to Brexit, the Trustee decided to apply a 50% currency hedge. This decision, taken at a time of economic uncertainty for the UK, was designed to protect funds from short-term overseas currency fluctuations against Sterling.

A 2023 analysis revealed that the currency hedge has had little or no effect since its introduction, so the Trustee has decided to remove it. The hedge was therefore removed in stages over the last year.

The updated 'glidepath' charts for the three DC investment strategies are shown below.

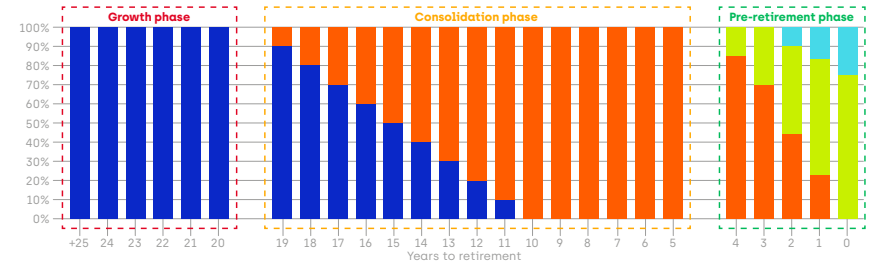
Income drawdown (default)

- Affinity Water Growth Fund
- L&G Dynamic Diversified Fund
- L&G Retirement Income Multi-Asset Fund
- L&G AAA-AA-A Corporate Bond All Stocks Index Fund
- L&G Cash Fund



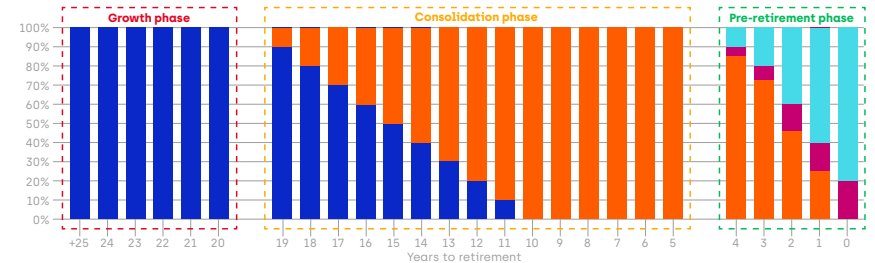
Annuity purchase

- Affinity Water Growth Fund
- L&G Dynamic Diversified Fund
- L&G Pre-retirement Fund
- L&G Cash Fund



Cash

- Affinity Water Growth Fund
- L&G Dynamic Diversified Fund
- L&G Retirement Income Multi-Asset Fund
- L&G Cash Fund



The Trustee and its advisors regularly monitor the range and performance of the Plan's DC funds. More details on the investment strategies are available in the [Your DC Investment Choices Guide](#) and the Trustee's [DC Statement of Investment Principles](#) on the [Pension Portal](#).



All the DC assets are managed by Legal & General Investment Management. The Trustee has delegated all day-to-day investment decisions to Legal & General, to make sure the DC funds are managed efficiently. A strategy review is under way for the DC section and we will share the results with you.

Funds available

The table below shows the full range of the DC funds (please note that past returns are not a guide to the future).

Funds	31 March 2024 12-month performance [after fees]	31 March 2024 12-month benchmark/ target	Description	Strategic purpose
World Equity Fund	22.1%	22.4%	Global equities managed on a passive index-tracking basis	Provide long-term growth in the period leading up to retirement
World Equity Fund (Currency Hedged)	25.7%	25.9%	Global equities managed on a passive index-tracking basis, with overseas currency exposure hedged to GBP	
Future World Fund*	14.1%	14.6%	Global equities with an emphasis towards ESG and factor-based investing, managed on a passive index-tracking basis	
Future World Global Equity Index Fund*	18.8%	18.7%	Global equities with an emphasis towards ESG managed on a passive index-tracking basis	
UK Equity Index Fund	8.5%	8.4%	UK equities managed on a passive index-tracking basis	
Dynamic Diversified Fund	6.6%	9.5%	Invested across a wide range of traditional and alternative asset classes with the aim of providing long-term investment growth	
Managed Property Fund	0.3%	-0.7%	Invested in a range of UK commercial property	
Corporate Bonds	4.7%	4.7%	High-quality corporate bonds invested on a passive index-tracking basis	Modest growth in excess of equivalent government-backed securities
Future World Annuity Aware Fund	3.4%	-1.01%	Passively managed fund invested in assets that reflect the assets underlying a typical non-inflation-linked pension annuity product	Modest growth to capture the returns of the gilt and corporate bond markets, while broadly tracking annuity prices
Retirement Income Multi Asset Fund	6.7%	8.6%	Invested across a wide range of traditional and alternative asset classes with the aim of providing income-based returns and some capital preservation	Modest growth and aims to hold assets which are suitable for members intending to use their savings for a flexible retirement income arrangement
Cash	5.0%	5.0%	Cash	Provide for those taking benefits as cash, including the tax-free lump sum at retirement

* These funds make up the Affinity Water Growth Fund

Source: Legal & General, 31 March 2024

Report and accounts summary

Shown below is a summary extract from the latest Trustee's report and accounts (completed in July 2024). It details the monies coming into and out of the DB section of the Plan between 1 January 2023 and 31 December 2023.

Opening balance as at 1 January 2023 = £57,126,000			
Monies in	£000	Monies out	£000
Employer's contributions	6,685	Cash sums on retirement and death (including returns of contributions on death)	(1,117)
Employees' contributions (ordinary)	400		
Interest on cash deposits and other miscellaneous income	43	Fees and expenses*	(5)
Change in market value of investments	8,304	Individual transfers between AWPP sections and to other pension schemes	(1,654)
Income from insurance	862		
Group and individual transfers into the Plan	50	Annuities purchased	(44)
Total income	16,344	Total expenditure	(2,820)
Closing balance as at 31 December 2023 = £70,650,000			

* Costs of administration of the Plan are paid by the Employer, except as noted above.

Membership of the Plan

1,124 active members at 1 January 2023

213 new entrants

4 retirements

136 leavers

2 deaths

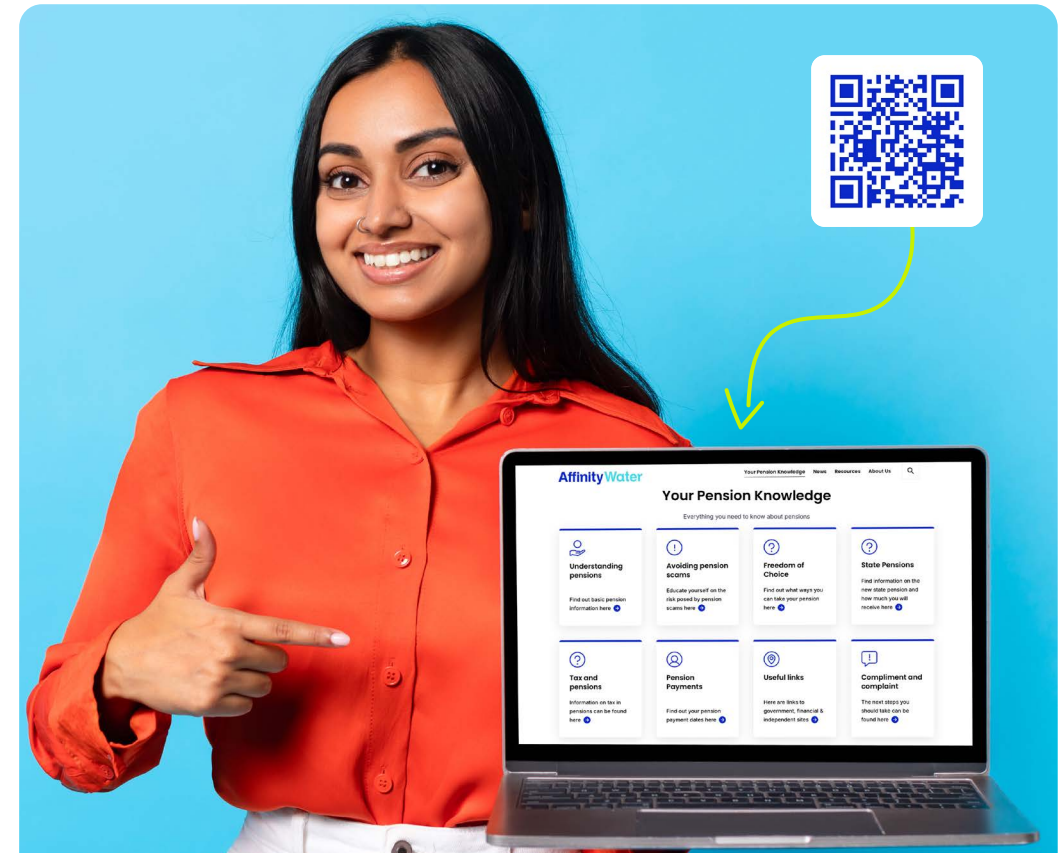
1,195 active members at 31 December 2023

1,202 members with preserved benefits at 31 December 2023

To find out more...

There's loads more information on the [Pension Portal](#), including a range of factsheets and useful documents. Click on the four links below to view some of the most popular ones:

- [Glossary and sources of help and advice](#)
- [AWPP Third Definitive Trust Deed and Rules](#)
Sets out the legal basis for the Pension Plan and Trustee
- [Statement of Investment Principles](#)
Explains the principles underlying our DC investment strategies to achieve our objectives (including the basis on which the Trustee invests the money paid into the Plan)
- [Lifetime Engagement Plan](#)
Sets out what happens when you join the Plan, the information that you receive annually and what happens when you get closer to retirement



Affinity Water

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Need help?

If you have any questions about this issue of *Your pension matters*, please contact: pensiontrustee@affinitywater.co.uk

If you need help with any aspect of your pension, from registration to username or passwords, the Hymans Robertson team will be happy to help. Simply call the Hymans Robertson helpline on **0207 082 6182** or email affinity@hymans.co.uk