



Defined Benefit (DB) 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 had a few teething issues with the retirement planner but are pleased to confirm that it's now working for all Defined Benefit members.

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

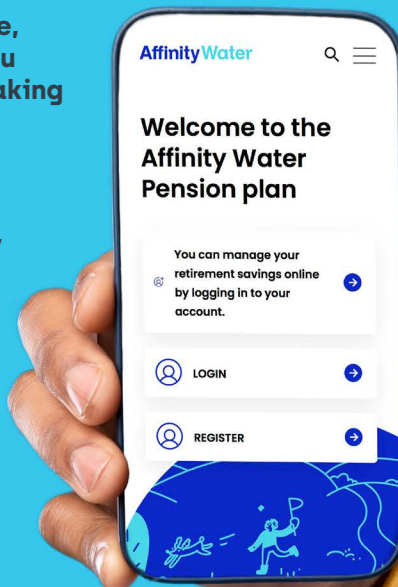
Last year we launched our Pension Portal. Intuitive, secure and simple to navigate, the Portal gives you instant access to all your pension information, making it easier for you to manage your pension.

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. 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 and funding update

An overview from Hymans Robertson

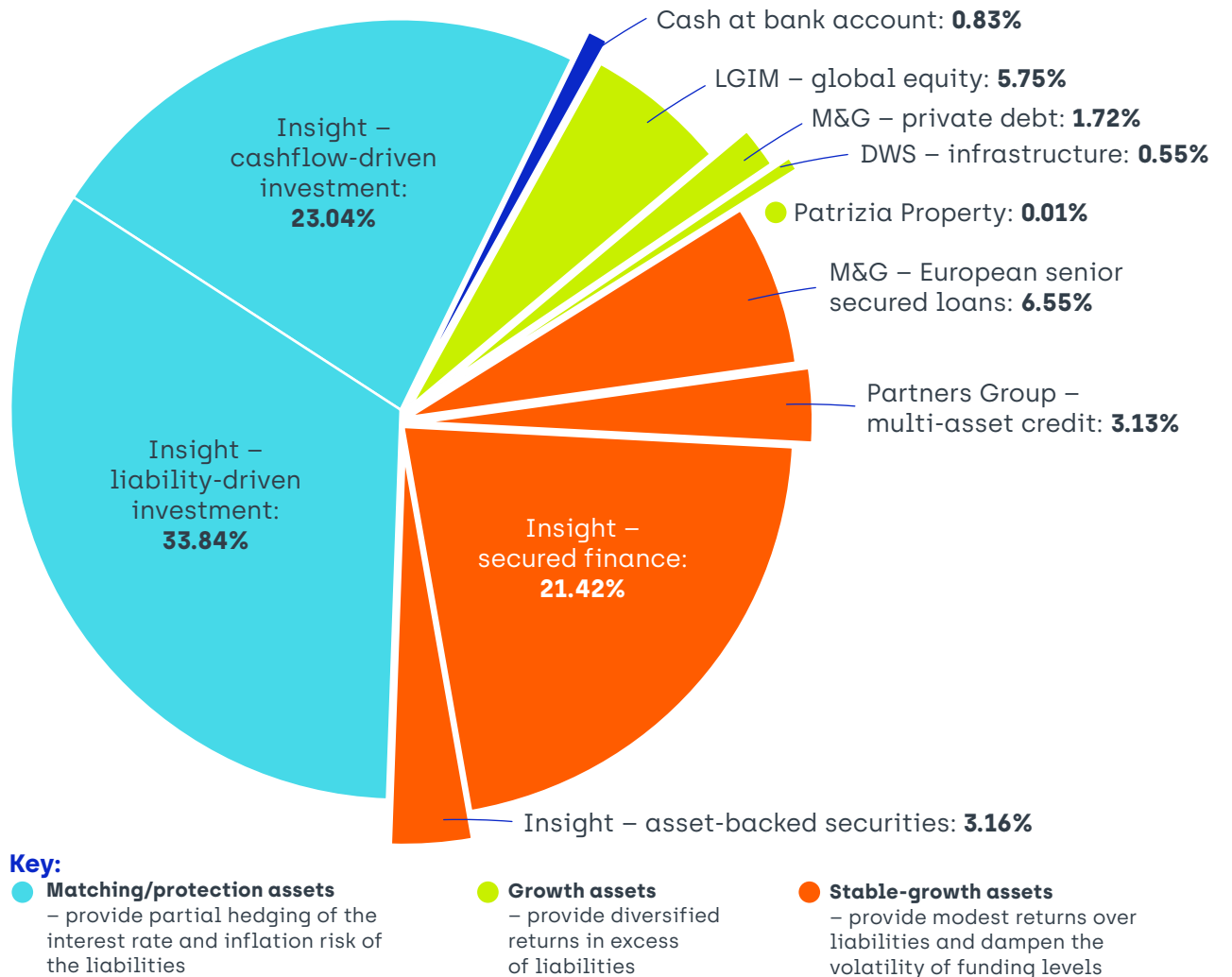
As of 31 March 2024, the Plan's DB assets totalled £371m (a decrease of around £18m over the year, driven by a fall in the Plan's protection assets). These assets are intended to align with the direction and magnitude of the movement of the Plan's liabilities, so the funding position remained strong, finishing the year at around 101% funded on a technical provisions basis.

The Trustee invests the Plan's DB assets to support its primary objective of holding enough money over time to pay pension and lump sum benefits to members and their dependants. Working with its advisors, the Trustee has created an investment structure for the Plan in order to meet this objective. The pie chart shows the Plan's allocation of assets, grouped by the broad strategic purpose they serve.

In deciding how the assets should be invested, the Trustee takes account of the Plan's maturity profile, including relative proportions of liabilities in respect of pensioner and non-pensioner members; the level of funding surplus or deficit; the Trustee's view of the Employer's financial strength; and the principle of diversification. Helped by its advisors, the Trustee regularly monitors the DB asset allocation and the performance of the Plan's investments.

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 DB asset allocation of the Plan as at 31 March 2024



Triennial valuation

Why does this matter to you?

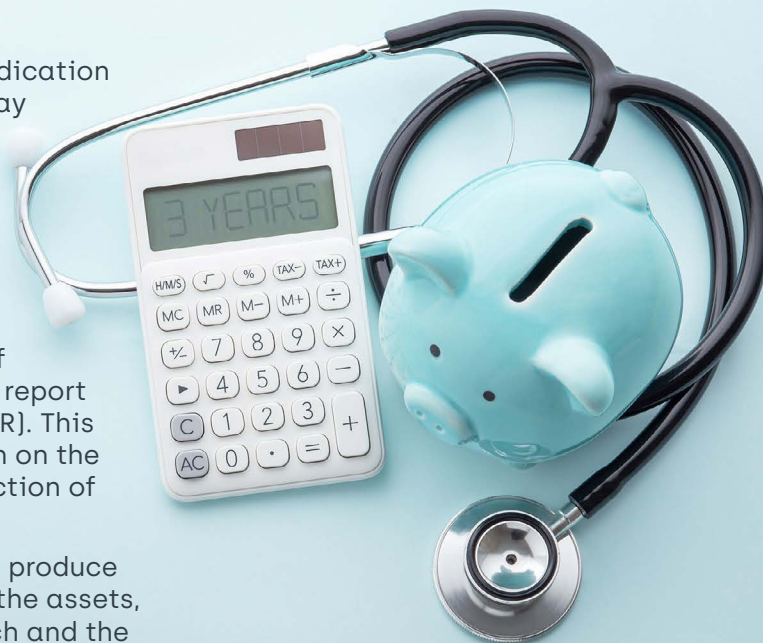
The valuation gives you an indication of the ability of the Plan to pay for your pension benefits.

What is it?

Every three years the Trustee, helped by its expert advisors and the Scheme Actuary, must carry out a formal valuation of the DB section of the Plan and submit a formal report to The Pensions Regulator (TPR). This provides detailed information on the financial health of the DB section of the Plan.

The aim of the valuation is to produce values for the liabilities and the assets, and to highlight any mismatch and the consequent deficit or surplus. Certain assumptions need to be agreed, the most important being how investments might perform in future, how long members will live and what will happen to the inflation rate.

The strength or weakness of the sponsor company (Affinity Water Limited) is also a crucial factor for the future financial health of the DB section of the Plan as the sponsor company is ultimately responsible for funding any deficit in the Plan. Inevitably the valuation is a snapshot: with changing market and economic



conditions, the fund's position will vary over time. But the process allows TPR to monitor how the DB section of the Plan is generally performing.

The most recent valuation (at 31 December 2023) is currently being worked on. Initial analysis shows that the DB section of the Plan remains in a strong financial position.

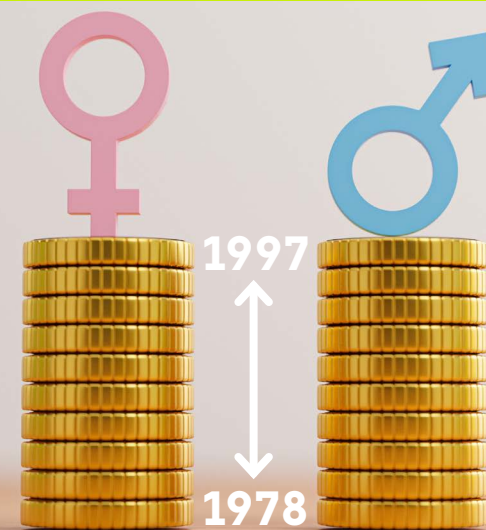
The final results of the valuation agreed by the Trustee and the sponsor company will be included on the next Summary Funding Statement, which will be available on the [Pension Portal](#).

Industry news

Equalising guaranteed minimum pensions (GMPs)

GMPs are a sub-component of some DB members' benefits earned between 1978 and 1997 as part of an agreement to 'contract out' of certain state pension benefits. The GMP earned is paid in place of that part of the state pension. As the state pension at the time provided for different retirement ages for men and women, the GMPs that members earned in the Plan mirrored this difference. The Courts subsequently ruled that GMPs should have been equal between men and women even though the state pension it was replacing was unequal. The Plan is now required to take action to achieve this equalisation.

Guaranteed minimum pensions (GMP) is a very complicated subject. Our pensions advisors continue to work through the GMP issues. What we can say at this point is that your pension definitely won't go down. It might go up, but only by a small amount.



Changes in the DB Plan over the year

The main investment objective of the DB Plan is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Plan payable as they fall due.

Over the period to 31 March 2024, the Trustee implemented the following changes to the Plan's portfolio:

- the Plan reinvested in equities, returning the allocation towards its 5% strategic target
- Insight, the Plan's LDI investment manager, increased the level of interest rate and inflation hedging on behalf of the Plan. The Plan now targets hedge ratios of 95% of the Plan's liabilities for interest rate and inflation movements.

No further changes were made to the DB Plan's investment strategy over the 12-month period to 31 March 2024.



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.

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?

Seek independent financial advice before applying for a TTFAC!

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 = £372,842,000			
Monies in	£000	Monies out	£000
Employer's contributions	1,873	Pensions paid	[15,369]
Employees' contributions (ordinary)	164	Cash sums on retirement and death (including returns of contributions on death)	[2,147]
Net investment gains	2,931	Fees and expenses*	[2]
Change in market value of investments	17,439	Investment management fees	[625]
Income from insurance and other income	130	Individual transfers between AWPP sections and to other pension schemes	[165]
Total income	22,537	Total expenditure	[18,308]
Closing balance as at 31 December 2023 = £377,071,000			

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

Membership of the Plan

168 active members at 1 January 2023

18 retirements

4 leavers

1 death

145 active members at 31 December 2023

1,414 pensioners at 31 December 2023

523 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 five 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
- [Summary Funding Statement](#)
Records the objectives, policies and performance of the Trustee in relation to the funding of the DB division of the Plan
- [Statement of Investment Principles](#)
Explains the principles underlying our DB 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

Affinity Water Pension Trustees Limited

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Hatfield
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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