Affinity Water Pension Plan

A guide to the Final Salary Divisions

for former members of the Veolia UK Pension Plan who did not transfer from the Veolia Water Supply Companies' Pension Plan

Defined Benefit (DB) members

Affinity Water

Contents

Outline of the Plan

This guide to the **Plan** uses certain words that may require further explanation. All words shown in bold print are explained on page 12 of this guide.

This guide describes the provisions of the **Plan** that apply to members of the Final Salary Divisions who are former members of the Veolia UK Pension Plan (**VUKPP**) and who did not transfer to the **VUKPP** from the Veolia Water Supply Companies' Pension Plan (VWSCPP).

The **Plan** is governed by a trust deed and rules. These are complex legal documents that set out your rights under the **Plan**. Accordingly, the purpose of this guide is to give you a summary of the benefits provided by the **Plan**.

It should be noted that this guide is for information only and does not cover every detail of the **Plan**. It must not be taken in any way as modifying or interpreting the **Plan**'s trust deed and rules. As noted above, your legal rights and obligations in connection with the **Plan** are not governed by this guide but by the trust deed and rules. If there is any conflict between the provisions of this guide and the trust deed and rules the latter will prevail.

Benefits

The **Plan** may provide the following benefits for you and your dependants:

- a pension with the option of taking part of it as a tax-free cash sum when you retire
- a lump sum if you die in **Pensionable Service** before **Normal Pension Date**
- a dependant's pension on your death before or after retirement
- the option of either a preserved pension or a transfer of benefits if you leave the **Plan** having completed two or more years' **Pensionable Service** before retirement.

Annual statement

Each year, while you are an in-service (active) member you will receive a personal statement of your **Plan** benefits. You do not get an annual statement once you have left the **Company** but you can request one if needed.

Tax advantages

The **Plan** brings with it several important tax advantages:

- you get full tax relief on your contributions to the **Plan**
- any lump sum death benefits paid to beneficiaries are normally tax-free
- you are not taxed on the **Company**'s contributions

These tax advantages are based on current taxation law which may change in the future.

How the Plan works

You and the **Company** pay contributions into a special trust fund. The fund is kept quite separate from the **Company**'s assets and is held and invested by the **Trustee**. The aim is to maintain the fund to provide the **Plan**'s benefits when they become due.

Your contributions

As a member of the **Plan**, the amount you contribute depends on your age, as shown below:

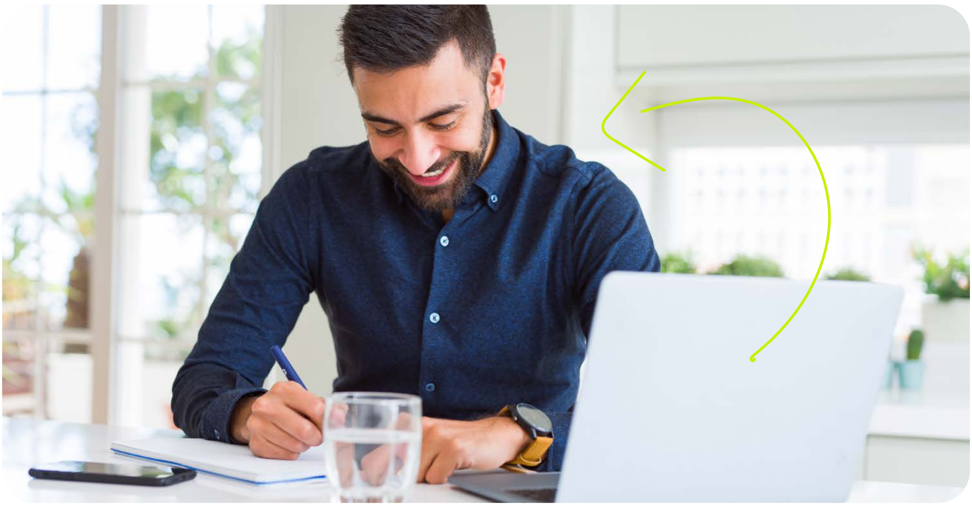
Age	Member Contribution (as a % of your Pensionable Salary)
Below 35	4%
35 to 49	5%
50 and over	6%

The **Company** pays the balance of the cost of the **Plan**.

The net cost to you is less than it seems as your contributions are deducted from your earnings before income tax is calculated, so you automatically get tax relief on them. If you pay tax at the current basic rate of 20%, each £1 you pay only costs you 80p from your net pay.

The example below shows the contributions payable by a member who pays 4% with a **Pensionable Salary** of £18,000.

Example		
Current **Pensionable Salary**	£18,000 a year	
Gross contributions	£18,000 x 4%	= £720
Less tax relief (20% at 6/4/2023)	£720 x 20%	= £144
Net cost		= £576 a year
		= £48 a month



Your pension

Your pension at **Normal Pension Date** is worked out as follows:

1/60 x **Final Pensionable Salary** x **Pensionable Service**.

Your pension is paid in monthly instalments and is paid for the rest of your life.

The example below shows how you can work out your pension (assuming you are not a Standard Scale Member, and remain in **Pensionable Service** until your **Normal Pension Date**).

Your details	Example
Date of birth	03.10.1958
Date originally joined **VUKPP** (although became a member of the **Plan** on 28.03.2013)	01.04.2003
Normal Pension Date	03.10.2023
Pensionable Service	20 years and 6 months
Present **Pensionable Salary**	£18,000 a year

Your pension	Example
Final Pensionable Salary (assuming for this example that it is the same as your present **Pensionable Salary**)	£18,000 a year
Divide by 60	£18,000 ÷ 60 = £300
Multiply by **Pensionable Service**	£300 x 20.5 (i.e. 20.5 years)
Your pension	= £6,150 a year

Pension increases

Once in payment, your pension is increased each year by the percentage increase in the Retail Prices Index for the 12 months ending on the preceding 30 September, or 5% if that is less. The increases take place on each 1 April following your retirement.

If your pension has been paid for less than 12 months when the increase is first due, the increase is scaled down according to the number of complete months between the date of your retirement and 1 April.

Tax free lump sums

The maximum amount of cash you may take tax free is 25% of the value of your pension. The value of your pension is determined by legislation – currently 20 times your pension.

Example (using the same assumptions as on page 5)		
Your pension value	20 x £6,150	= £123,000
Maximum tax free lump sum	£123,000 x 0.25	= £30,750

If you decide to take the maximum amount, your pension is reduced by an amount calculated by the **Plan**'s actuary. The calculation varies from time to time (and depends on the age when you retire) but, as an example, if the reduction is £1 of pension for each £16 of cash taken, the reduction would be:

Example		
If you took this maximum permitted amount, your pension would be reduced by	£30,750 ÷ 16	= £1,921.88
Leaving you with a pension of	£6,150 - £1,921.88	= £4,228.12

When you are due to retire you will be given full details of your maximum cash sum available and how this affects your pension.

Your early and late pension options

Taking your pension early

Following the introduction of Pension Freedoms you may retire on pension at any time after age 55.

Your pension based on your **Final Pensionable Salary** and completed **Pensionable Service** at the date you choose to take your pension. The pension is then reduced to take account of the earlier start date and the longer period for which it will be paid.

You still have the option to take part of your pension as a tax-free cash sum.

Pension increases

Once in payment, your pension is increased each year in the same way as if it had become payable at your **Normal Pension Date**.

Taking your pension later

You can decide to take your pension after your **Normal Pension Date**, payment of your benefits will be postponed until you decide to take your pension unless you and the **Company** agree otherwise.

Your benefits will be increased to take account of the later starting date. You still have the option to take part of your pension as a tax-free cash sum.

Your normal contributions to the **Plan** usually cease at your **Normal Pension Date**.

Once your pension has started to be paid, it is increased each year in the same way as it is would have been had it become payable at your **Normal Pension Date**.

If you die after your **Normal Pension Date** but before you are taking your pension, your benefits are worked out as if you had retired on the day before you died.

Benefits for your family

Death in Pensionable Service

If you die before your **Normal Pension Date** while employed by the **Company**, and as a contributing member of the **Plan**, the following benefits are payable:

- a lump sum of three times your **Pensionable Salary** at your date of death
- a refund of your contributions to the **Plan**.

Lump sum benefits

The lump sum benefits are paid at the discretion of the **Trustee** to your beneficiaries or estate and normally no inheritance tax is paid on them. Your beneficiaries include your family, someone who is a dependent on you because of disability and 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.

The **Trustee** must decide who receives the money and may follow your wishes, provided they have been notified to the **Trustee** beforehand. You should let the **Trustee** know how you would like any lump sums to be paid by completing an Expression of Wish. You should make sure that your Expression of Wish is kept up to date by updating it if your circumstances change or if you change your mind at any time. This can be completed online at www.affinitywaterpensions.co.uk

A dependant's pension

A pension of one-half of your accrued pension is payable immediately to your dependants. Your accrued pension is the pension you have earned up to the date of your death, based on your completed **Pensionable Service**.

The **Trustee** decides who should receive the pension and, if there is more than one dependant, what proportion of the pension each dependant receives. The pension is only paid for the benefit of children while they are under age 18 or, if later until they cease full-time education or vocational training but no later than the age set by the HMRC. In respect of an adult dependant, or a child who is wholly incapacitated, the pension is paid for life.

Pension increases

Once in payment, the dependants' pensions in excess of the Guaranteed Minimum Pension (GMP) are increased each year by 5% or by the percentage increase in the Retail Prices Index (for the 12 months ending on the preceding 30 September), if this is lower.

Restrictions on benefits

Normally, the full lump sum death benefit is provided automatically without any enquiry into your state of health. Sometimes however, restrictions are placed on these benefits and you will be told if any apply to you.

The lump sum death benefit is insured under an insurance policy specifically to provide this benefit. Payment of this benefit is subject to acceptance, and any terms and conditions imposed, by the insurer.

Death after retirement

On your death after retirement, the following benefits are payable:

- **Lump sum benefits**
  If you die within five years after your retirement, the unpaid balance of five years' pension (disregarding any increases) is paid as a lump sum to your beneficiaries or estate.

- **A dependant's pension**
  A pension of one-half of your own pension at the date of your death, including any increases since your retirement, is payable immediately to your dependants.

  The **Trustee** decides who should receive the pension, and if there is more than one dependant, what proportion of the pension each dependant receives. The pension is only paid for the benefit of children while they are under age 18 or, if later, until they cease full-time education or vocational training but not later than the age set by the HMRC. In respect of an adult dependant, or a child who is wholly incapacitated, the pension is paid for life.

- **Pension increases**
  Once in payment, the dependants' pensions in excess of the GMP are increased each year by 5% or by the percentage increase in the Retail Prices Index) (for the 12 months ending on the preceding 30 September), if this is lower.

Leaving the Plan

Opting out of the Plan

You may opt out of membership at any time in the future. You must give the **Trustee** one month's notice in writing.

Your preserved pension

If you leave the **Plan** before your **Normal Pension Date** you are entitled to a preserved pension payable from your **Normal Pension Date**. The preserved pension is calculated in the same way as your normal retirement pension but based on your **Final Pensionable Salary** and completed **Pensionable Service** at your date of leaving.

Your preserved pension in excess of the GMP is increased in line with the revaluation requirements that the Government sets (currently linked to the Consumer Prices Index) over the period from your date of leaving to your retirement date. You still have the same options of taking part of your pension as a tax-free cash sum or retiring early.

Once it starts to be paid, your pension in excess of the GMP is increased each year by 5% or by the percentage increase in the Retail Prices Index (for the 12 months ending on the preceding 30 September), if this is lower.

Death before retirement

If you die before your preserved pension becomes payable, a lump sum equal to your contributions to the **Plan** is paid to your estate.

A pension of one-half of your preserved pension, including increases for the period from your date of leaving to the date you died, is paid to your dependants. The **Trustee** decides who should receive the pension and, if there is more than one dependant, what proportion of the pension each dependant receives.

Once it starts to be paid, the pension in excess of the GMP is increased each year by 5% or by the percentage increase in the Retail Prices Index (for the 12 months ending on the preceding 30 September), if this is lower.

Death after retirement

If you die after retirement, benefits are paid in the same way as described in the section headed 'Death after retirement' in 'Benefits for your family' but based on your preserved pension.

Transfer of benefits

If you leave **Pensionable Service** at any time, you are able to transfer the cash equivalent of your preserved benefits to your new employer's scheme, to a personal pension scheme or to an individual insurance policy.

The cash equivalent is typically calculated as the lump sum which, if invested at the date of calculation in a notional pension scheme, would be sufficient to provide your preserved benefits at your **Normal Pension Date**. In making the calculation, the **Trustee** has to make assumptions about such matters as future investment returns and mortality rates and for any guaranteed and statutory increases to be applied between the date you leave **Pensionable Service** and your **Normal Pension Date**. In setting the assumptions to be used for transfer value calculations, the **Trustee** will take advice from the **Plan** actuary. Please note that during periods of market volatility the transfer value of a pension may change significantly over short periods of time but this reflects changes in the cost of purchasing the equivalent benefits, rather than a change in your underlying benefits.

As the **Trustee** has no practice of paying any discretionary pension increases over and above those described in this guide, these are not taken into account in calculating cash equivalents.

At any time, whether you have left **Pensionable Service** or not, you may ask the **Trustee** for an estimate of the cash equivalent of your Plan benefits on a particular date.

If the estimate of the cash equivalent is needed because of a divorce settlement, you should tell the **Trustee** this when asking for the estimate as the **Trustee** may need further information from you. Within three months of your request, the **Trustee** will give you a written statement showing your entitlement. The cash equivalent is guaranteed for three months from the date it was calculated and the statement is normally given to you within ten days of this date. The **Trustee** is not obliged to give you another statement within 12 months of your last request.

If you want to transfer the cash equivalent to another scheme or insurance policy, you must apply in writing to the **Trustee** within three months from the calculation date shown on the statement of entitlement. If you do not apply within three months, the cash equivalent is not guaranteed to be the same as that quoted to you. If the transfer is over £30,000 in value then by law you must provide evidence that you have consulted an approved independent financial advisor. This rule is to help protect members from potential financial scams.

Definitions

This guide uses certain words that may require further explanation. The definitions below should help you understand any technical terms that may not be familiar to you.

- **Company**
  This means the company within the Affinity Group by whom you are employed.
- **Final Pensionable Salary**
  This is your Pensionable Salary on the 1 January before your Normal Pension Date, or the date you retire or leave Pensionable Service if earlier. If higher, either of the two immediately previous 1 January figures for Pensionable Salary may be used.
- **Normal Pension Date**
  Your 65th birthday.
- **Pensionable Salary**
  This is your basic salary or wages calculated on the date you join the Plan and on each following **1 January**.

  For members of the Affinity Water Pension Plan Final Salary (Central) Division who were former members of the:

  - Former North Surrey Water Limited Final Salary Division of VUKPP, or
  - Three Valleys Water Plc Final Salary Division of the VUKPP.

  Pensionable Salary includes your flexibility allowance, standby allowance and shift pay premium if you are paid these amounts.

  The Company may determine from time to time that other allowances or payments (including the taxable value of benefits in kind) are also pensionable.
- **Pensionable Service**
  This is the period of continuous service with the Company in years and days from the date you become a member of the Plan to your Normal Pension Date or date of leaving the Plan or death if earlier.
- **Plan**
  This is the Affinity Water Pension Plan.
- **Trustee**
  This means Affinity Water Pension Trustees Limited.
- **VUKPP**
  This means the Veolia UK Pension Plan.

Further information

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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