

Defined Contribution (DC) members

# Your pension matters

Information about your Affinity Water Pension Plan

# 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.

Anton Gazzard and Phil Parsons both stepped down from the Board in June 2023, after five and eight years respectively. I'd like to thank them for their valued contribution and dedication, both to the Board and to the Plan's members.

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*I'd like to thank my fellow Trustee Directors and Florence, as Company Secretary, for their hard work, commitment and continued dedication to helping me manage the Plan in the best interests of all our members.*

**Michael Calabrese, Chair**

Following a successful nomination and selection process, we welcomed Thomas Stoten as a Member Nominated Director and Beth Venis as an Employer Nominated Director. Both were officially appointed at our Board meeting on 23 June 2023.

I'm sorry to say that Lauren Schogger and Beth Venis will be stepping down at the next Board meeting on 7 December 2023. Again, I'd like to thank them for all their hard work and commitment. A recruitment process is under way and we expect to appoint two new Employer Nominated Trustee Directors at the December meeting.

In August 2023 we launched our Pension Portal. The new tool is mobile friendly and includes a much better self-service option – we've received great feedback from members so far and will be adding more functionality during 2024.

If you'd like need clarification on any pension-related points, please visit the new Portal. If you can't find what you're looking for on the Portal, feel free to contact any of the Trustee Directors or the Hymans Robertson helpline. You'll find all the contact details on the back page of this newsletter.

# On the Board

The Trustee Board changed in June 2023:



**Michael Calabrese**  
– Chair and Employer Nominated Director



**Eddie Lintott**  
– Member Nominated Director



**Lauren Schogger**  
– Employer Nominated Director



**Thomas Stoten**  
– Member Nominated Director



**Beth Venis**  
– Employer Nominated Director



**Hetal Kotecha**  
– professional Independent Trustee Director, Independent Trustee Services Limited (now trading as Independent Governance Group).



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

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.

# Our new Pension Portal is live

We're excited to have 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.

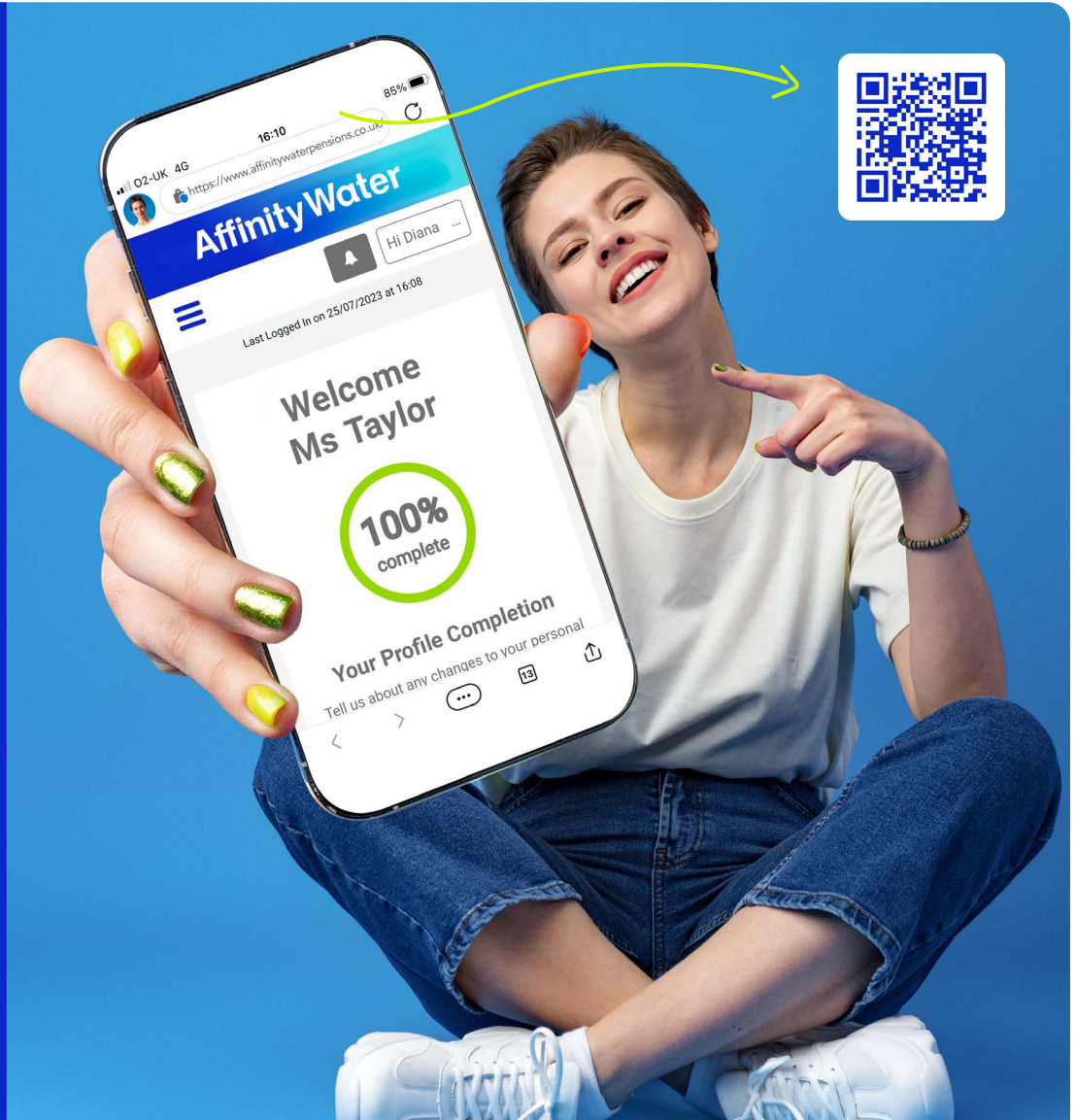
Registering online takes just a couple of minutes. If you haven't yet registered, here's how:

- 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 new, more user-friendly portal on any device and platform to complete a wide range of tasks, like accessing your documents online, or submitting requests for pension illustrations and viewing the results online.

The new functionality means that you can now update your personal details in real time. The following are important, for obvious reasons:

- your comms preferences – whether you'd like us to contact you by email or post
- your nominated beneficiaries – keep these details current.



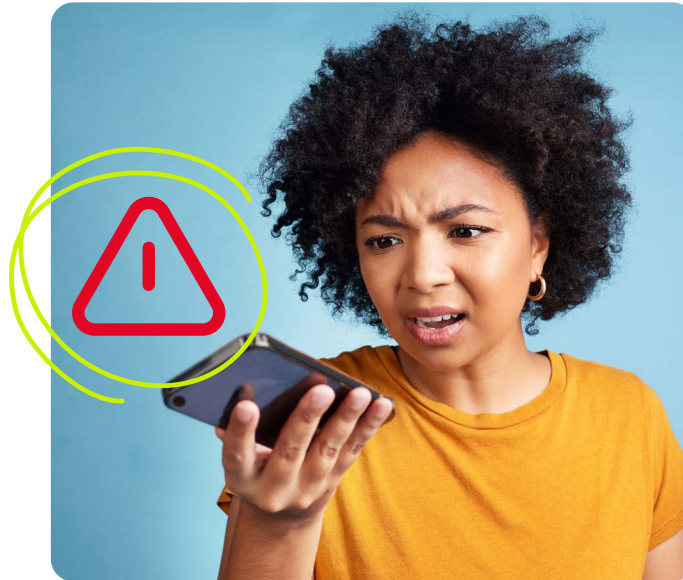
Register today at:  
<https://www.affinitywaterpensions.co.uk>



# 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](http://www.fca.org.uk)
- report it to Action Fraud on **0300 123 2040** or at [www.actionfraud.police.uk](http://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](http://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 are committed to the principles behind the Pensions Scam Pledge by taking action to protect our members and follow the principles of the Pension Scams Industry Group's Code of Good Practice.



# Market background

**Global growth slowed over 2022 amid soaring interest rates and inflation, but falling energy prices, strong labour markets and consumer demand led to an unexpected resilience in economic data.**

As a result, 2023 GDP forecasts for the major advanced economies have been revised upwards in recent months. However, the quarterly pace of global growth is expected to ease from here as the lagged impact of interest rate increases weighs on activity and the boost from China's re-opening fades.

Year-on-year headline Consumer Price Index (CPI) inflation peaked at 11.1% in the UK in the second half of 2022. Despite inflation easing [largely because of falling energy prices], headline CPI remained elevated in March 2023, at 10.1%. Core inflation measures, which exclude volatile energy and food components, also remained well above central bank targets: in March 2023, year-on-year core CPI in the UK was 6.2%.

In response, the major central banks embarked on one of the most aggressive rate-hiking cycles on record, amid concerns that core inflation might become ingrained. From historically low levels, annual interest rates were raised, reaching 4.25% in the UK in March 2023.

High inflation and interest rate rises saw yields and volatility rise sharply in government bond markets. In the wake of the UK's mini-budget in September 2022, selling of gilts by leveraged investors threatened to get out of hand, so the Bank of England intervened to bring annual

yields back down to an acceptable level. Annual yields on 10-year gilts increased from 1.6% to 3.5% in the UK in March 2023.

Inflation and growth concerns weighed on credit markets. Global investment grade credit spreads had widened by 0.3% to 1.5% a year; and speculative-grade credit spreads had widened by 0.9% to 5.1% a year.

Despite rallying strongly since October 2022, global equity markets fell 5.0% over 2022/23. Energy was the best-performing sector, boosted by surging oil and gas prices. Consumer discretionary and technology were among the worst-performing sectors amid cost-of-living pressures and rising rates, while banking stresses resulted in a significant hit to financial stocks.

The improvement in consumer and business sentiment in Europe, on the back of falling gas prices, led European equities to outperform. UK equities also experienced an outperformance due to a combination of two factors: above-average exposure to the energy sector; and sterling weakness for the most part of 2022, particularly against the dollar, which flattened the large proportion of overseas earnings in the index.



# Investment update

## An overview from Hymans Robertson

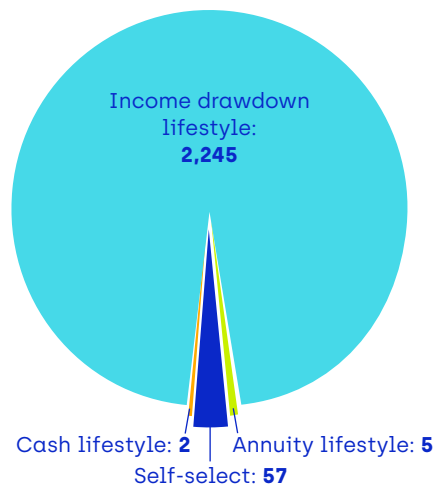
As at 31 March 2023, the Plan's DC assets totalled approximately £57m.

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.

The DC membership of the Plan as at 31 March 2023



| 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

### Changes to the Lifetime Allowance

In the Spring Budget, the Chancellor announced significant changes to pensions tax rules.

The most far-reaching change is the proposed abolition of the Lifetime Allowance – the amount of savings you can take from your pension schemes without facing a tax charge. The Lifetime Allowance charge was removed on 6 April 2023 and the Government plans to remove the Lifetime Allowance itself from 6 April 2024.

### Changes to the Annual Allowance

The Annual Allowance is the limit on how much money you can contribute into your pension in any one tax year while still benefiting from tax relief. How pension savings are measured against the Annual Allowance depends on the type of pension scheme.

There's no limit on the amount that can be saved into your pensions each tax year. But there is a limit on the total amount that can be saved each tax year with tax relief applying and before a tax charge might apply; for most people this limit has changed from £40,000 to £60,000 in one tax year.

### NMPA rises from 55 to 57

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

The Finance Act 2022 will increase the NMPA from 55 to 57 on 6 April 2028 (except for members of uniformed public service schemes). The Trustees are reviewing how this increase will affect members of the Plan and will keep you in the loop.





# Changes to the DC Plan over the year

Following a review of the DC investment strategy, the Trustee agreed to make some changes to the 'growth phase' – this is the period within the lifestyle strategies when there are more than 20 years to go before retirement.

The growth phase has been replaced by our new Affinity Water Growth Fund, which will initially invest in the following:

- L&G Future World Fund
- L&G Future World Global Equity Index Fund
- L&G Future World Global Equity Index Fund (GBP Hedged).

Following consideration by the Trustee Board, 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.

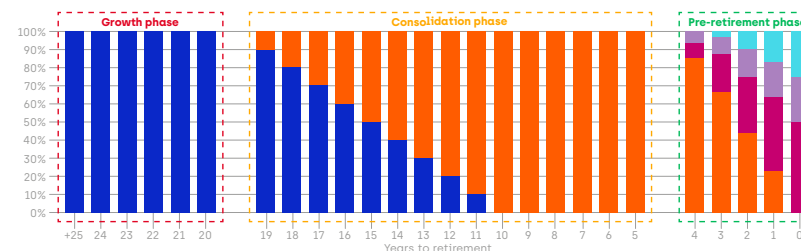
Back in 2017, during the run-up to Brexit, the Trustee decided to apply a 50% currency hedge. This decision, taken at a time of economic uncertainty for the UK, was designed to protect funds from short-term overseas currency fluctuations against Sterling.

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. This change will happen automatically over the next year within the Affinity Water Growth Fund.

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

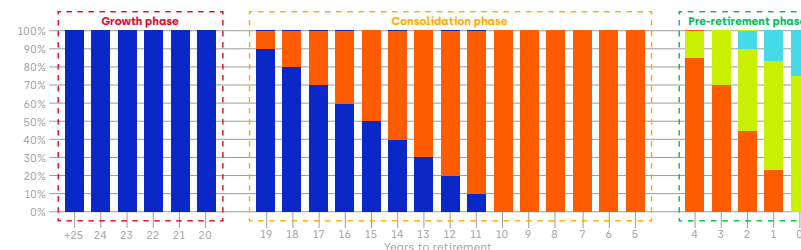
## Income drawdown (default)

- 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



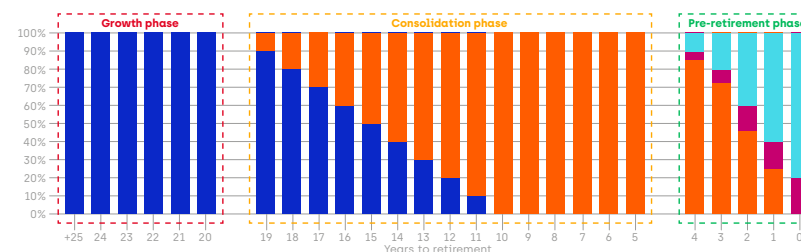
## Annuity purchase

- 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 our new 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 ensure that the DC funds are managed efficiently.

# 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 2023<br>12-month<br>performance<br>[after fees] | 31 March 2023<br>12-month<br>benchmark/<br>target | Description  | Strategic purpose  |
|---|--|---|--|--|
| World Equity Fund                         | -0.9%  | -0.7%   | Global equities managed on a passive index-tracking basis  | Provide long-term growth in the period leading up to retirement  |
| World Equity Fund<br>(Currency Hedged)*   | -6.4%  | -6.1%   | Global equities managed on a passive index-tracking basis, with overseas currency exposure hedged to GBP   |  |
| Future World Fund*                        | 0.1%   | 0.2%  | Global equities with an emphasis towards ESG and factor-based investing, managed on a passive index-tracking basis                                     |  |
| Future World Global<br>Equity Index Fund* | -1.0%  | -1.2%   | Global equities with an emphasis towards ESG managed on a passive index-tracking basis   |  |
| UK Equity Index Fund                      | 2.9%   | 2.9%  | UK equities managed on a passive index-tracking basis  |  |
| Dynamic Diversified Fund                  | -3.0%  | 6.8%  | Invested across a wide range of traditional and alternative asset classes with the aim of providing long-term investment growth                        |  |
| Managed Property Fund                     | -14.1%   | -14.5%  | Invested in a range of UK commercial property  |  |
| Corporate Bonds                           | -10.0%   | -9.8%   | High-quality corporate bonds invested on a passive index-tracking basis  | Modest growth in excess of equivalent government-backed securities   |
| Pre-Retirement fund                       | -19.6%   | -19.7%  | 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<br>Multi Asset Fund     | -2.9%  | 5.8%  | 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                                      | 2.1%   | 2.2%  | 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



# Report and accounts summary

Shown below is a summary extract from the latest Trustee's report and accounts [completed in July 2023]. It details the monies coming into and out of the DC section of the Plan between 1 January 2022 and 31 December 2022.

| Opening balance as at 1 January 2022 = £58,361,000   |              |   |                |
|--|--------------|---|----------------|
| Monies in  | £000         | Monies out  | £000           |
| Employer's contributions                             | 5,804        | Cash sums on retirement and death (including returns of contributions on death) | (592)          |
| Employees' contributions (ordinary)                  | 379          | Fees and expenses*  | (1)            |
| Net investment gains                                 | 11           | Individual transfers between AWPP sections and to other pension schemes         | (1,010)        |
| Income from insurance                                | 439          | Change in market value of investments   | (6,135)        |
| Group and individual transfers into the Plan         | 4            | Annuities purchased   | (134)          |
| <b>Total income</b>                                  | <b>6,637</b> | <b>Total expenditure</b>  | <b>(7,872)</b> |
| Closing balance as at 31 December 2022 = £57,126,000 |              |   |                |

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

## Membership of the Plan

**1,069** active members at 1 January 2022

**239** new entrants

**4** retirements

**178** leavers

**2** deaths

**1,124** active members at 31 December 2022

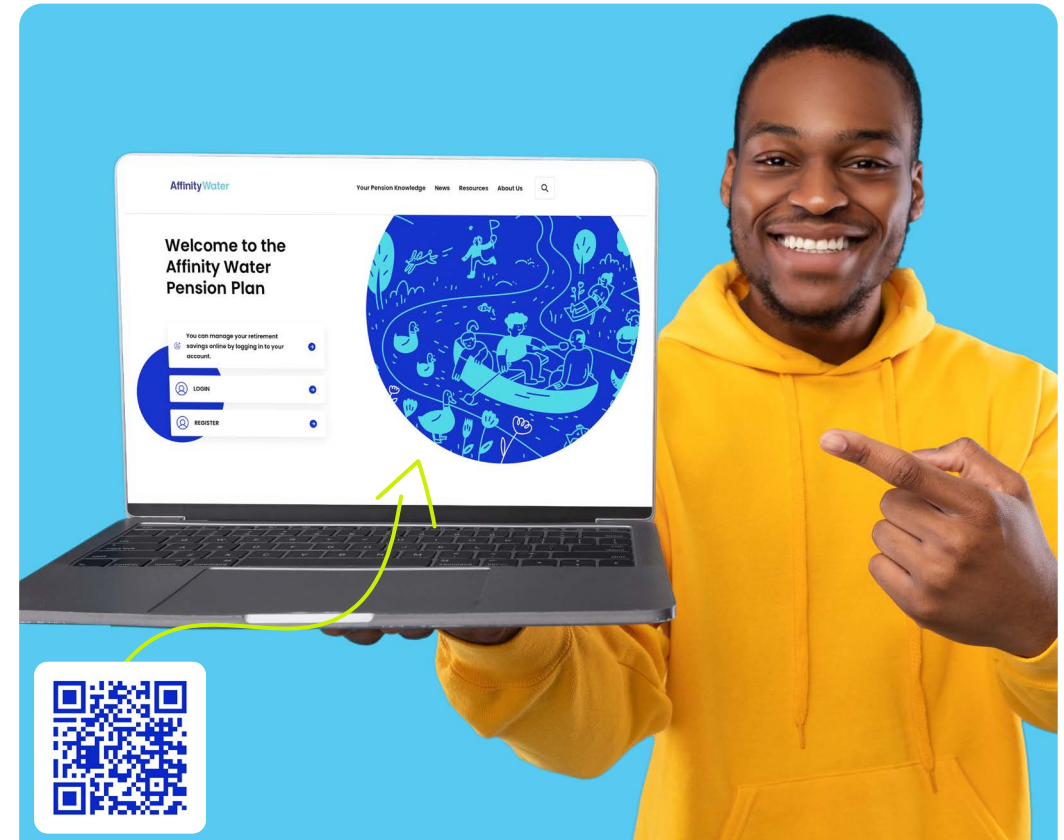
**1,116** members with preserved benefits at 31 December 2022

**2,240** total members at 31 December 2022

# 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



## AffinityWater

### Affinity Water Pension Trustees Limited

Tamblin Way  
Hatfield  
Hertfordshire  
AL10 9EZ

## Need help?

If you have any questions about this issue of *Your pension matters*, please contact: [pensiontrustee@affinitywater.co.uk](mailto: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](mailto:affinity@hymans.co.uk)