

Defined Benefit (DB) 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.

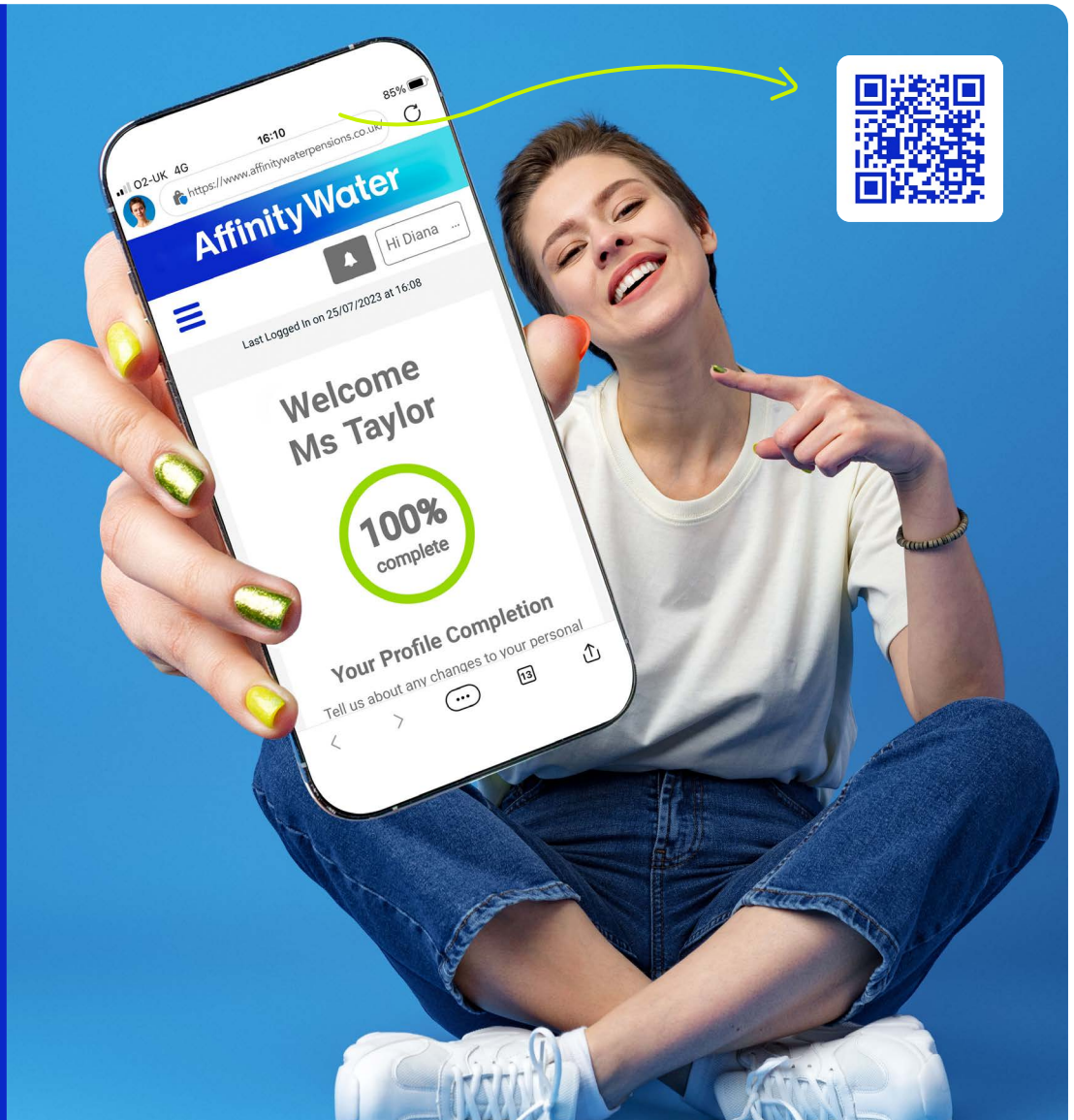
Registering online takes just a couple of minutes. If you haven't yet registered, here's how:

- 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.

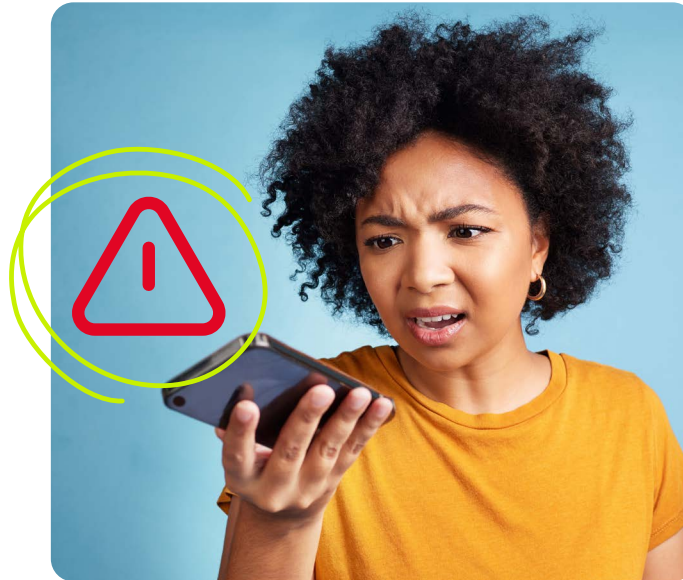


Register today at:
<https://www.affinitywaterpensions.co.uk>

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
- 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 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 and funding update

An overview from Hymans Robertson

As of 31 March 2023, the Plan's DB assets totalled £389m (a decrease of c.£160m over the year), driven by a fall in the Plan's protection assets. Because these assets aim to match the direction and magnitude of the movement of the Plan's liabilities, the funding position has remained broadly consistent at 99.0% on 31 March 2022 and 98.2% on 31 March 2023.

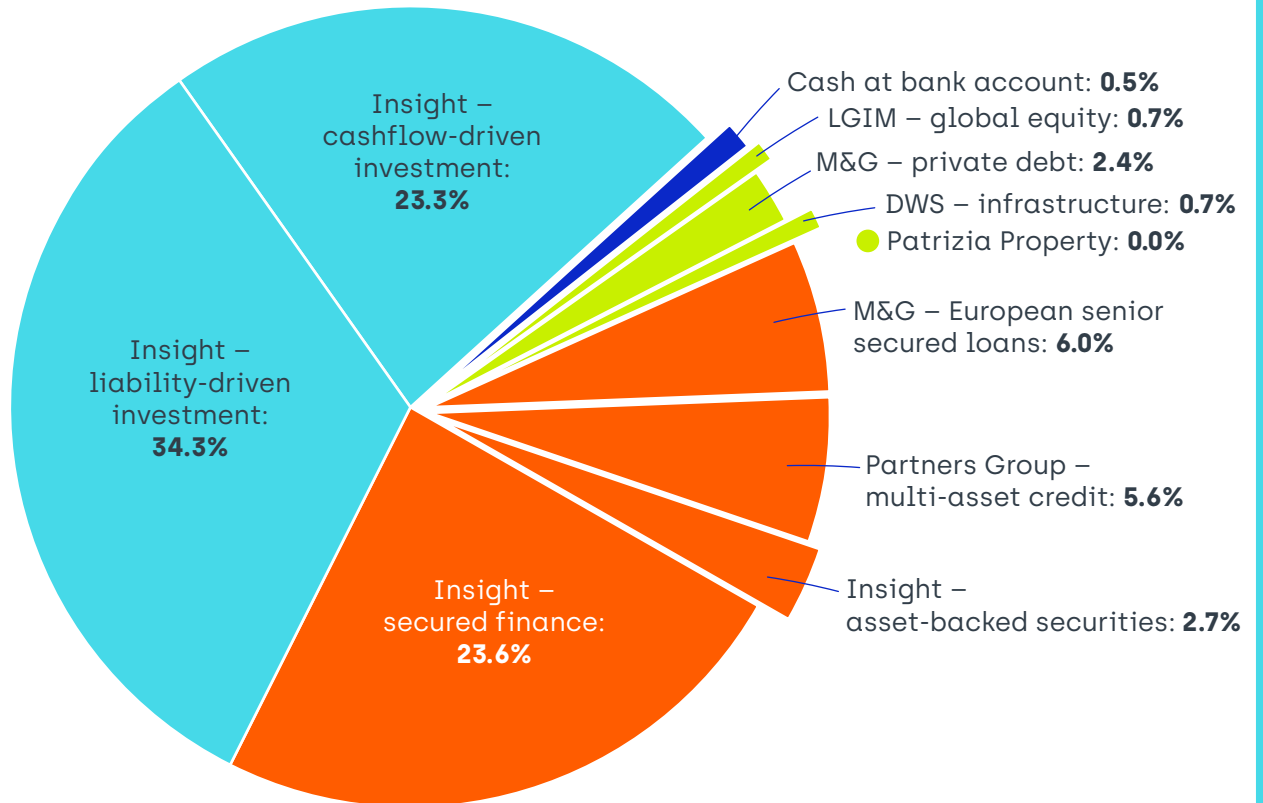
The Trustee invests the Plan's DB assets to support its primary objective of holding enough money over time to pay pension and lump sum benefits to members and their dependants. Working with its advisors, the Trustee has created an investment structure for the Plan in order to meet this objective. Figure 1 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
- 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* on www.affinitywaterpensions.co.uk.

The DB asset allocation of the Plan as at 31 March 2023



Key:

● **Matching/protection assets**
– provide partial hedging of the interest rate and inflation risk of the liabilities

● **Growth assets**
– provide diversified returns in excess of liabilities

● **Stable-growth assets**
– provide modest returns over liabilities and dampen the volatility of funding levels

Percentages have been rounded.

Changes to 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.

The Trustee implemented the following four changes to the Plan's portfolio during the 12-month period to 31 March 2023:

- invested £88.4m on 29 July 2022 into the Secured Finance Fund II. The position was funded using excess Tier 2 collateral (asset-backed securities) and a portion of the Plan's corporate bond holdings
- disinvested from the LGIM Global Equity Fund to support the Plan's hedging requirements. Following year-end, once stability had returned to financial markets, the Plan reinvested in equities, returning the allocation towards its 5% strategic target
- rebalanced the LDI portfolio to reflect the Plan's updated liability cashflows and the Plan's external asset cashflows assumptions. The Plan now targets hedge ratios of 91.5% of the Plan's liabilities for interest rate and inflation movements
- disinvested from the equity allocation, to support the Plan's interest rate and inflation hedging requirements during the fallout from the mini-budget announcement in Q3 2022. Once stability had returned to financial markets, the Plan reinvested in equities, returning the allocation towards its strategic target.



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.



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 DB section of the Plan between 1 January 2022 and 31 December 2022.

Opening balance as at 1 January 2022 = £590,574,000

Monies in	£000	Monies out	£000
Employer's contributions	1,880	Pensions paid	[14,360]
Employees' contributions (ordinary)	173	Cash sums on retirement and death [including returns of contributions on death]	[1,357]
Employees' additional voluntary contributions	11	Fees and expenses*	[1]
		Investment management fees	[696]
		Individual transfers between AWPP sections and to other pension schemes	[1,669]
Net investment gains	17,398	Change in market value of investments	[219,111]
Total income	19,462	Total expenditure	[237,194]

Closing balance as at 31 December 2022 = £372,842,000

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

The net assets of the DB section of the Plan were impacted by market volatility during the year. However, the reduction in asset values was broadly matched by a decrease in actuarial liabilities, with the DB section remaining well-funded.

Defined Benefit (DB) members

Membership of the Plan

185 active members at 1 January 2022

9 retirements

7 leavers

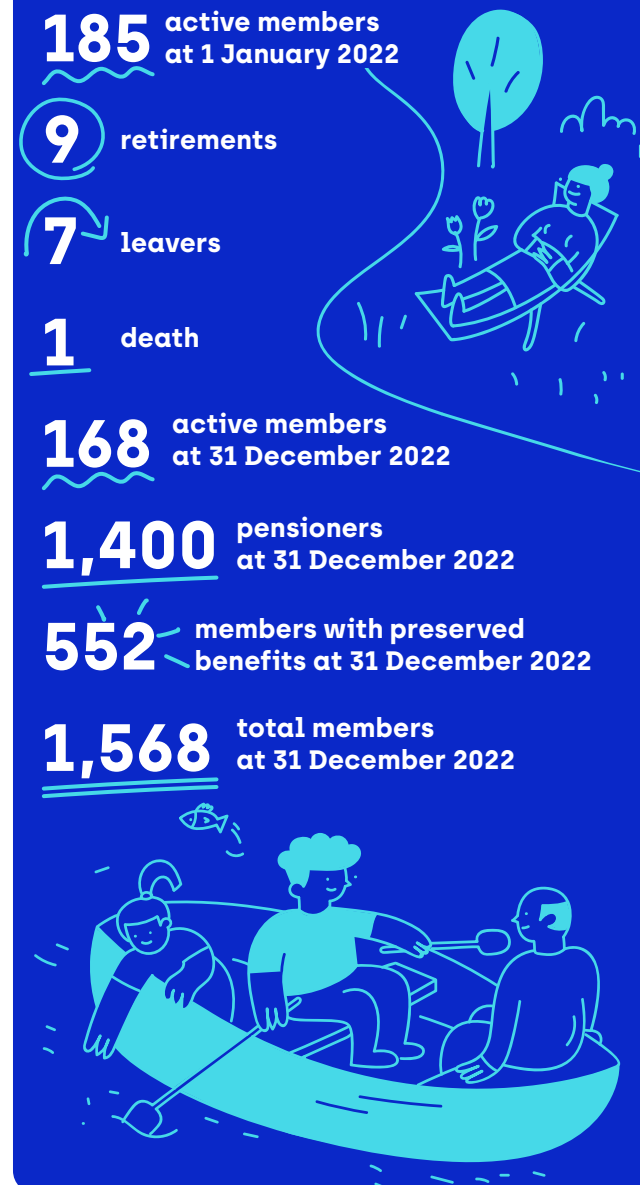
1 death

168 active members at 31 December 2022

1,400 pensioners at 31 December 2022

552 members with preserved benefits at 31 December 2022

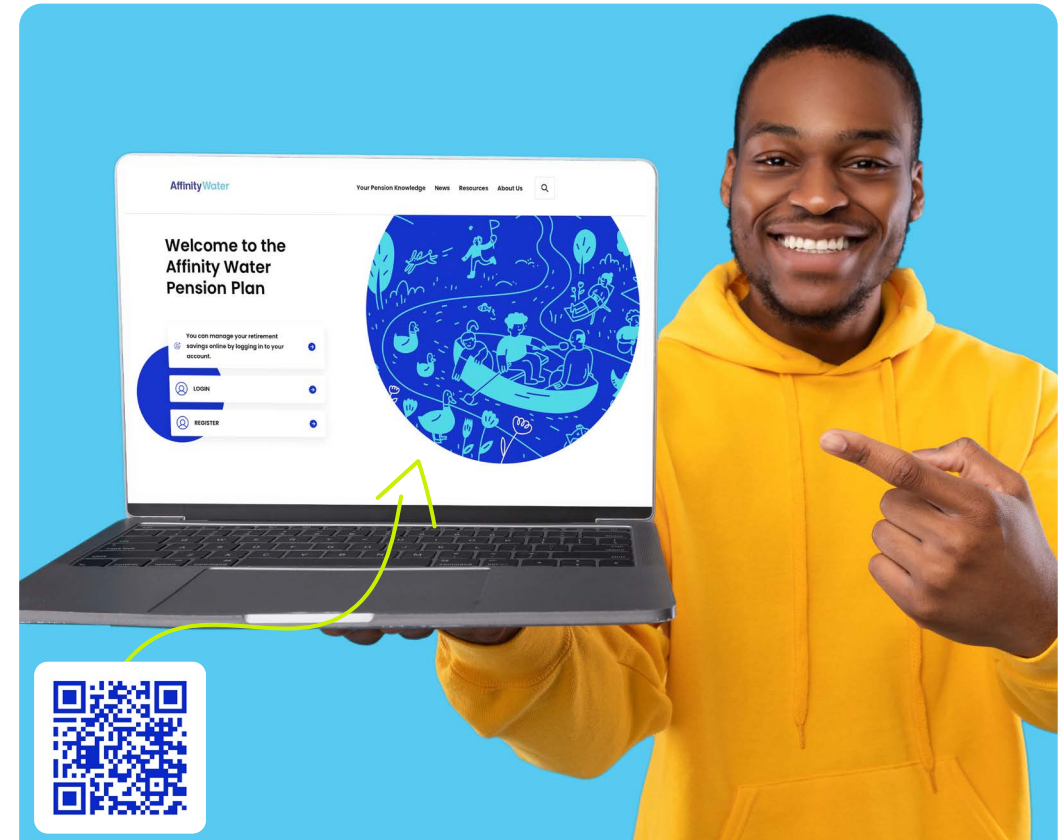
1,568 total members at 31 December 2022



To find out more...

There's loads more information on the Pension Portal, including a range of factsheets and useful documents. Click on the 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.



AffinityWater

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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