**ASSUMPTIONS AND ASSUMPTION CHANGES SINCE LAST YEAR**

**Assumptions**

We make the following assumptions about your choices at retirement so that we can calculate your benefit statement:

* You will use the entire value of your DC pension pot to purchase an annuity at retirement, so no cash lump sum is taken.
* If you continue employment with Baxi, both you and Baxi will continue to maintain your current contribution rate (as a percentage of your salary) into the Scheme every year between 1 January 2024 and your Target Retirement Date. If you no longer work for Baxi, no further contributions will be made.
* The pension you receive from the annuity will not increase in payment.
* Your DC pension pot continues to be invested in the same funds from now up to retirement, but allows for any planned automatic lifestyle switches (if applicable).

The key financial assumptions used to calculate your benefit statement are:

* Price inflation 2.5% p.a.
* Salary inflation 2.5% p.a.
* Interest rate on which annuity will be based (net of pension increases) 4.4% p.a.

**Assumption changes since last year**

From 1 October 2023, the way in which the investment return assumptions we use to calculate the value of your future pension changed, in line with new regulations. The investment return assumptions are now based on historic volatility (changes in investment prices over a certain period) of the fund(s) your money is invested in. Whereas last year, the investment return assumptions were forward-looking, and we were able to use the best estimate of how we expected different funds to perform.

In addition to this, from 1 October 2023, the following assumptions were also made, in line with new requirements:

* You take a fixed annuity which does not go up in line with inflation each year.
* You will purchase an annuity that is paid for your lifetime only i.e. won’t be paid to a surviving spouse.

Please note that these new assumptions may lead to your benefit statement looking significantly different to previous years and may not reflect how you choose to use your DC pension pot when you retire.