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DEFINED CONTRIBUTION NEWSLETTER

BAXI GROUP PENSION SCHEME

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Introduction

Welcome to the first newsletter of 2024 for Defined Contribution ("DC") members of the Baxi Group Pension Scheme (the "Scheme").

We hope you find this newsletter useful and if you have any questions or comments, please contact the Scheme Administrator using the details on the back page.

Chris Parrott

On behalf of the Trustee of the Baxi Group Pension Scheme

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UNDERSTANDING THE SCHEME

The part of the Baxi Group Pension Scheme (the "Scheme") that you pay into is a Defined Contribution ("DC") scheme, which means the value of your pension depends on the contributions you pay in and the investment returns you earn on those contributions.

A DC scheme works in a similar way to a savings account. Each month, you pay a percentage of your salary into your Retirement Account and Baxi will also pay in an agreed percentage. Over time, as you and Baxi continue to pay in contributions, we would expect your Retirement Account to grow. Unlike a regular savings account, rather than receiving interest on your savings, you will receive investment returns depending on which investment option you select. Currently, if you are aged 55 and over, you are then able to access the value of your Retirement Account. The minimum age at which you can access your pension is increasing to 57 on 6 April 2028.

The value of your Retirement Account depends on your contributions, the investment options you choose and how those investment options perform over the course of your working life, and how long your working life lasts.

- **Contributions** - Both you and the company make regular contributions to your Retirement Account. If you choose to pay either 3% or 4% of 'Pensionable Earnings', the Company will double your contribution by paying either a further 6% or 8%. You can pay more than 4% if you wish, but the maximum Company contribution will remain at 8%. If you want to learn more about changing your contributions, refer to the "How to Boost your Pension" section below.
- **Investment Growth** - Your contributions are invested in various funds, which aim to grow your Retirement Account over time. The performance of these investments affects the final value of your Retirement Account. If you want to learn more about the Scheme's investments, refer to the "Investment Strategy review" on page 9.

YOUR BENEFIT STATEMENT

Later this year, you will receive your annual benefit statement detailing the defined contribution pension benefits you have accumulated as a member of the Scheme. Your benefit statement will provide insight into:

- How much your Retirement Account has changed over the year to 6 April 2024;
- Estimates of your future pension if you continue to be a member of the Scheme;
- What your accumulated funds can potentially buy you at retirement; and
- The date you have told us that you are targeting to retire at.

This year, you may notice that your benefit statement looks different from previous years. This is because pension regulations have changed the assumptions that we must use in producing your benefit statement.

From 1st October 2023, the investment return assumptions we use to calculate the value of your future pension changed to comply with new regulations. This is 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 assumptions were forward-looking and based on our best estimates of how we expected different funds to perform.

Additionally, from 1st October 2023, the following assumptions were made, in line with new requirements:

- You take a fixed annuity which does not increase with inflation each year (so, a pension that stays at the same level for as long as it is paid to you); and
- You will purchase an annuity that is paid for your lifetime only, without continuing to a surviving spouse or partner.

As a reminder, an annuity involves a transfer out of your Scheme's Retirement Account to purchase a guaranteed income. An annuity converts your Retirement Account into an annual pension, giving you a guaranteed income for life or for a specified period.

HOW THESE CHANGES MAY AFFECT YOUR STATEMENT THIS YEAR

The changes to the investment return assumptions and the new annuity assumptions result in your illustrated Retirement Account purchasing a larger pension, but this will not increase over time with inflation.

Please note that the value of your Retirement Account is not guaranteed and may fluctuate up or down, depending on investment returns. The income you may receive from an annuity will depend on the level of your contributions, the investment returns received, the amount of your pot that you take as a lump sum and the cost of buying an annuity when you retire – all of which can differ from the assumptions we have made. As a result, the actual amount of pension you receive is likely to be different from the projection, and as such the illustration is not guaranteed.

Remember, past performance is not a guide to future performance, and you may not get back the contributions originally invested.

You can also access the video version of your benefit statement through the Pension Portal at www.mybaxipension.co.uk.

Once you have reviewed your benefit statement, we recommend further exploring your retirement options using the retirement modeller in the Pension Portal. The modeller allows you to:

- Compare different annuity options to see how much guaranteed income for life your Retirement Account can buy. This includes options for:
 - Increasing or level annuities
 - Annuities providing income for your spouse upon your death
 - Different levels of tax-free cash
- Explore other retirement options beyond annuities, such as:
 - Taking your Retirement Account as a cash lump sum
 - Transferring to a Flexi-Access Drawdown (FAD) arrangement
- Enter details about other pension arrangements, including the State pension and other income sources, to aid your retirement planning.
- See the impact of changing your retirement age or increasing your contributions on your projected Retirement Account.
- Discover your attitude to risk and view the potential impact of different investment options on your projected Retirement Account.

STATE PENSION AND PENSION DASHBOARD

In addition to your pension in the Scheme, it is important to be aware of other pensions you may have, including your State Pension. Here is how you can get a comprehensive view of all your pension savings and what tools are available to help you.

STATE PENSION

Your State Pension is a vital part of your retirement income. You can find out how much you are entitled to and when you can start receiving it by checking your State Pension forecast on the GOV.UK website. The State Pension age is currently 66 for both men and women, but will rise to 67 between 2026 and 2028, with further increases planned for the future.

PENSIONS DASHBOARDS

The Pensions Dashboards Programme is an upcoming initiative that will transform how you access your pension information. When launched, the dashboard will allow you to see all your pension details, including your State Pension, all in one place. This will help you better understand your total retirement savings and plan effectively for the future.

How the Dashboard Will Help:

- **Consolidated View** - You will be able to see information from multiple pension providers, including any workplace or personal pensions, as well as your State Pension, all in one place.
- **Reconnecting with Lost Pensions** - The dashboard will help you reconnect with any lost or forgotten pension pots.
- **Better Planning** - With all your pension data at your fingertips, you can make more informed decisions about your retirement planning.

The dashboard is still in development, with full public availability anticipated by 2026. Keep an eye on updates from the Pensions Dashboards Programme site to know when it will be available for use.



WHAT IS A GOOD PENSION?


Planning for retirement involves knowing how much money you will need to maintain your desired standard of living. The Pensions and Lifetime Savings Association (PLSA) has established Retirement Living Standards (RLS) to help you determine this. The RLS outline the expenditure required to achieve different standards of living in retirement: Minimum, Moderate and Comfortable.

UPDATED STANDARDS FOR 2024

On 7th February 2024, the PLSA updated its Retirement Living Standards to reflect changes in the cost of living, particularly due to significant food inflation and rising energy costs. These updates mean you may need to contribute more or work longer to achieve the same standard of living as before. Below are the revised standards:

MINIMUM	MODERATE	COMFORTABLE
<p>SINGLE: £14,400 COUPLE: £22,400</p> 	<p>SINGLE: £31,300 COUPLE: £43,100</p> 	<p>SINGLE: £43,100 COUPLE: £59,000</p> 
<p>Discover more</p> <p>A 'minimum' lifestyle covers all your needs, with some left over for fun and social occasions. You could holiday in the UK, eat out about once a month and do some affordable leisure activities about twice a week.</p>	<p>Discover more</p> <p>A 'moderate' lifestyle provides more financial security and more flexibility. You could have one foreign holiday a year and eat out a few times a month. You'd have the opportunity to do more of the things you want to do.</p>	<p>Discover more</p> <p>A lifestyle that allows you to be more spontaneous with your money. You could have a subscription to a streaming service, regular beauty treatments, a foreign holiday and several UK minibreaks a year.</p>

These figures are based on a "basket of goods" approach, reflecting typical costs of goods and services that individuals spend their retirement income on.



HOW TO BOOST YOUR PENSION

MAXIMISING YOUR RETIREMENT SAVINGS

If you find that your projected pension in your benefit statement falls short of your desired retirement living standard, there are several steps you can take to boost your pension:

1. Review Your Retirement Age

One of the simplest ways to increase your pension is to adjust your retirement age. By working longer, you not only contribute more to your pension but also allow your savings more time to grow. Review the target retirement date we have on record for you and decide if it is realistic or if it should be adjusted. Aligning your retirement plans with your State Pension age can also be beneficial.

2. Make Additional Contributions

- i. Take full advantage of the company's maximum matching contributions. Currently, there are two contribution levels: 3% from you with a 6% match from the company OR 4% from you with an 8% match from the company. If you are currently contributing at the 3% level, you have the option to increase your contribution to 4%. By an additional contribution of 1%, your total contribution is effectively increased by 3%, due to the additional 2% match from the company.
- ii. Consider making additional voluntary contributions (AVCs) to your pension.

Remember that contributions paid to your pension are taken from your salary before income tax, so paying additional contributions might not cost as much as you think. Additionally, most members make contributions through a salary sacrifice arrangement called 'Smart Pensions'. This agreement automatically reduces your salary by an amount equivalent to your pension contributions. In return, the company contributes this saving directly into your pension fund.

This means that you pay less National Insurance as well as income tax by contributing to your pension.

Suppose you decide to contribute an additional £100 per month. As a basic-rate taxpayer, your net cost would be £72 after tax relief of £20 and NI savings of £8, yet your Retirement Account would grow by the full £100 each month. For higher-rate taxpayers, the savings can be even more substantial due to higher tax and NI reliefs.

Please contact the Scheme Administrator or your HR representative if you would like to change your contributions or would like to start paying AVCs. You can find contact details for the Pensions Administrator on the back page.

INVESTMENT STRATEGY REVIEW

Investments play a big part in helping you build up your Retirement Account and that's why the Trustee of the Scheme regularly reviews the investment funds being offered to you. It is important that the funds are performing in line with expectations, represent good value and provide a good balance of choice.

If you haven't selected different investment options, then you will be invested in the Scheme's default investment strategy. Following a review of the default strategy, as well as taking advice from our investment adviser, the Trustee has decided to make some changes to the Scheme's current default investment strategy, the Drawdown Lifestyle.

The overall structure of the Drawdown Lifestyle strategy remains unchanged, however, the Trustee has agreed to make changes to the underlying funds and the split between the underlying funds. These changes are designed to improve ESG integration and manage volatility levels. Some of these changes will also impact the Annuity and Cash Lifestyles. These changes will happen automatically so you do not need to do anything. Full details will be provided in your investment booklet.

REVIEWING YOUR INVESTMENT CHOICES

Investment returns are crucial for the growth of your pension savings. It is essential to regularly review and adjust your investments to ensure they align with your retirement goals and personal circumstances.

We encourage you to review your current investment choices by visiting the Pension Portal at www.mybaxipension.co.uk.



YOUR ONLINE EXPERIENCE

Have you recently checked?

<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The value of your Retirement Account? <input checked="" type="checkbox"/> That we have your correct personal details on our record? <input checked="" type="checkbox"/> That your target retirement date is indeed when you expect to retire? (if you've never expressed a preference, this will automatically be age 65) <input checked="" type="checkbox"/> That your expression of wish form is up to date? 	<p>You can check all these on the Pension Portal at www.mybaxipension.co.uk. Please register if you have not done so already. If you have any queries about the website or its content, please contact Buck, the Scheme Administrators whose details are set out at the end of this newsletter.</p>
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Learned more information about your pension? 	<p>The Scheme website www.baxipensions.co.uk includes important information that can help you better understand your pension. The 'Guidance & Education' page includes links to useful pensions videos and a glossary to help explain any pensions jargon.</p>

EXPRESSION OF WISH FORM

In the event of your death before retirement, benefits will normally be payable to your close family or dependants. With this in mind, it's important that you complete an expression of wish form – this is a form for you to nominate beneficiaries. It tells the Trustee who you wish to receive any benefits payable on your death. The Trustee will not be bound by your expression of wish form, but will always take it into account when making its decision. You can complete, or update, your expression of wish form online on the Pension Portal at www.mybaxipension.co.uk.



BEWARE OF SCAMS!

As always, we encourage you to remain vigilant and watch out for pension scams. The cost-of-living crisis and economic volatility have provided additional opportunities for scammers to try to trick people out of their pension savings. We re-iterate our top tips for spotting a scam. You can also check whether you are dealing with a legitimate firm by visiting the FCA Scam Smart website (www.fca.org.uk/scamsmart/how-avoid-pension-scams). If you have any concerns, please contact the Scheme Administrator using the details on the back page.

5 TIPS FOR SPOTTING A SCAM

- 1 Cold callers or unsolicited emails asking you to provide personal details or financial details - your pension scheme or Scheme Administrator would never do this
- 2 Requests to share personal or financial details when receiving an unsolicited call
- 3 Promises of high returns, a free pensions review, being able to access your pension early
- 4 Requests to take immediate action/urgency
- 5 Suspicious emails (*generic salutation, spelling mistakes, email address looks wrong*)

USEFUL WEBSITES AND CONTACT DETAILS

There is a wealth of information available online to help you better understand your pension, including:

THE PENSION PORTAL:

www.mybaxipension.co.uk which allows you to conveniently manage your pension and access all relevant documents and information which is personal to you.

THE BAXI WEBSITE:

www.baxipensions.co.uk which provides information about the different investment funds available, contribution rates and retirement options. The site also includes a number of booklets and guides to help with your understanding of benefits under the Baxi Group Pension Scheme.

Remember the distinction between **your personal site** (the Pension Portal) and **the public site** (the Baxi website)!

OTHER RELEVANT WEBSITES:

www.gov.uk for Government information and public services.

www.maps.org.uk - The Money and Pensions Service (MaPS) is the Government's free information service for anyone who would like help with financial planning and pensions. It brings together Pension Wise, the Pensions Advisory Service and the Money Advice Service.

www.moneyhelper.org.uk/en for free and independent guidance on your pension.

www.unbiased.co.uk if you need to find an independent financial adviser in your local area.

For queries relating to individual benefits or changes in personal details, such as name or address, please contact the Scheme Administrator at:

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