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DEFINED CONTRIBUTION NEWSLETTER

BAXI GROUP PENSION SCHEME

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Introduction

Welcome to the first newsletter of 2025 for Defined Contribution ('DC') members of the Baxi Group Pension Scheme (the 'Scheme').

We've got lots to update you on since the last newsletter. In this edition, we provide an update on the recent Autumn Budget, the Pensions Dashboards Programme, how you can save into your pension more effectively and a handy 'Jargon buster' to help clarify some common pension terms. We've also introduced a "Meet the Trustees" section, with Steve Randall kindly agreeing to provide the first testimonial.

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

Chair of the Trustee of the Baxi Group Pension Scheme



SPOTLIGHT ON THE TRUSTEE BOARD

WHO ARE THE TRUSTEES?

The Trustee Board is set up as Directors of a Trustee Company (called Baxi Group and Newmond Pension Trustees Limited). The Trustee oversees the day-to-day running of the Scheme, ensuring that it remains secure, well-governed and aligned with members' best interests. There are 6 of us looking after the Scheme.

Professional Trustee/Chair

- BESTrustees plc, ordinarily represented by Chris Parrott

Member-Nominated Trustee Directors

- John McFaul
- Katie Wright

Company-Nominated Trustee Directors

- Steve Randall
- Claire Carlin
- Diane Sutherland

WHAT DO THE TRUSTEES DO?

We have a duty to act in the best interests of all members. Our responsibilities include, but are not limited to:

- Ensuring the Scheme is well-managed and compliant with regulations.
- Monitoring the Scheme's assets.
- With the support of our professional advisers, providing information and guidance to help members make informed decisions about their pensions.
- Working with the Scheme administrators and advisers to ensure they provide a good service to the Scheme and its members.
- Safeguarding the Scheme's ability to pay benefits now and in the future.

We also look after the Defined Benefit section of the Scheme, as well as another pension arrangement called the Newmond Pension Plan.

We divide our work into 3 sub-committees:

- 1 - The Administration Sub-Committee - which looks at DB administration matters, such as the administrator's performance and member experience and complaints.
- 2 - The Investment Sub-Committee - which reviews the Scheme's investments including their performance.
- 3 - The DC Sub-Committee - which looks at all things DC, such as administration, governance and communications.



MEET THE TRUSTEES - STEVE RANDALL

Company-Nominated Trustee Director

We want our members to get to know the people looking after their pension, so in this edition of the newsletter, we're introducing Steve Randall:

"I've worked for Baxi & BDR Thermea Group for over 27 years, and my current role is heading up the Service Centre of Excellence for the group. I joined the Trustee Board in 2018.

I decided to become a trustee director because it sounded like an interesting role that provided an opportunity to represent my friends and colleagues by looking out for their interests. It also allows me to meet new people and develop skills that I don't always get to use in my day job.

My recommendation to all members: Pay attention to your pension - don't just forget about it until you're about to retire. Plans and circumstances change, so check your pension regularly and make sure it matches your plans and reflects any changes in your life.

Outside of work, I love going to comedy gigs, music concerts and sporting events. I also enjoy walking in the countryside and spotting different birds and wildlife. But most of all, I love spending time with my 4-year-old grandson, who's just getting into Lego - I think I enjoy building and playing with it just as much as he does!"

Every quarter we have at least one meeting for each of the sub-committees, as well as a meeting with the whole Trustee Board. The Trustee regularly receives training on topics that are discussed at each meeting, plus a more formal annual training day. This ensures that we keep our knowledge of pensions up to date, and in particular those issues that impact directly on the operation of the schemes.



AUTUMN BUDGET 2024

You may have seen in the news that the Autumn Budget was announced by the Chancellor of the Exchequer, Rachel Reeves, in October 2024. This introduced several changes that impact pensions and retirement planning. We want to keep you informed about these updates and how they could affect you.

INHERITED PENSIONS

The tax treatment of inherited pensions is changing. From 6 April 2027, unused pension funds and death benefits will be included in estates for inheritance tax, subject to certain conditions. Whilst the headline information on the changes has been shared by the Government, we are still waiting for clarity on the details. We will keep you informed as the position becomes clearer.

It is expected this will not be an issue for many people, as inheritance tax currently only applies to estates worth £325,000 or more, and pensions and other assets left to a spouse or civil partner are not subject to inheritance tax.

Inheritance tax is a complex matter so if you plan to pass on your pension savings, you may wish to review your options and consider speaking to an independent financial advisor, to understand whether these changes could affect you and your loved ones.

You can find a financial adviser in your area at www.unbiased.co.uk. Financial advisers charge for their services, so you may want to ask them to provide a fee estimate at the outset.

You may also wish to review your expression of wish form to check it is up to date.

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.

STATE PENSION

The State Pension is set to increase in line with the triple lock - whichever is highest among inflation, wage growth or 2.5%. This helps ensure pensioners maintain their purchasing power in retirement. The basic and new State Pension are set to increase by 4.1% from April 2025.

No changes to the State Pension age were announced. The State Pension age is currently 66 for both men and women and will rise to 67 between 2026 and 2028.

EMPLOYERS' NATIONAL INSURANCE CONTRIBUTION

From 6 April 2025, employers will have to pay a higher rate of national insurance contributions for their employees, with the rate increasing from 13.8% to 15%. The minimum threshold salary, after which employers have to pay national insurance contributions, will also decrease from £9,100 to £5,000. These changes will raise costs for employers. This change does not impact your pension contributions.

HOW INCREASING YOUR CONTRIBUTIONS MAY NOT COST AS MUCH AS YOU THINK

When you join the Scheme, you pay a minimum of 3% of your total salary in each year and Baxi adds 6%, meaning that a total of 9% goes into your retirement savings each year. Your contributions receive tax relief and, if you use the salary sacrifice arrangement, the net cost to you is much lower than 3%.

You can pay more than 3% if you like. If you increase your contribution rate to 4%, Baxi will pay 8%, so a total of 12% will go into your retirement savings.

We've put together an illustration of what a Baxi employee's pension would look like after an increase in the contribution rate.

CAN YOU AFFORD TO PAY A LITTLE BIT MORE LIKE ALEX?

Alex earns £30,000 a year and pays the default contribution of 3% of her salary into her pension pot, and Baxi pays in an amount equivalent to 6% of her salary. After reviewing her finances, Alex is considering whether she can afford to increase her own contributions to 4% of her salary, to get 8% from Baxi. As pensions are a tax efficient way of saving, the reduction in her salary isn't as much as Alex thought and she gets an extra boost in her pension savings each month.

For a reduction in her take-home pay of just £20 a month, an extra £75 a month will be paid into her retirement savings! If Alex were to opt for salary sacrifice (this is called Smart Pensions at Baxi), her take-home pay would be even higher as she would be paying less in National Insurance contributions.

Alex liked this boost and decided to increase her contributions and opt for Smart Pensions.

	3% employee / 6% Employer (default)		4% employee / 8% Employer		Difference	
	Annual	Monthly	Annual	Monthly	Annual	Monthly
Alex's basic salary	£30,000	£2,500	£30,000	£2,500	£0	£0
Amount paid into Alex's pension ¹	£2,700	£225	£3,600	£300	£900	£75
Alex's take-home pay (without salary sacrifice) ²	£24,400	£2,033	£24,160	£2,013	-£240	-£20
Alex's take-home pay (with salary sacrifice) ³	£24,472	£2,039	£24,256	£2,021	-£216	-£18

Please note that the above figures are for illustrative purposes only and will vary depending on your individual circumstances.



Notes

- 1 - The amount paid into Alex's pension is the total pension contribution rate (employee and employer) multiplied by her salary of £30,000.
- 2 - Alex's take-home pay is reduced by her tax deductions, national insurance contributions and employee pension contributions. Alex benefits from tax relief on her pension contributions only.
- 3 - Alex's take-home pay is reduced by her tax deductions, national insurance contributions and employee pension contributions. Alex benefits from tax relief on her pension contributions as well as lower national insurance contributions if she opts to pay via salary sacrifice (Smart Pensions).

The calculations use the England & Wales taxation and national insurance rates and bands.

The calculations assume no employer national insurance savings are passed on to members.

You can contact the payroll department at PayrollDept@baxi.co.uk if you wish to discuss increasing your contributions or opting for Smart Pensions.

SMART PENSIONS

Most members make contributions through a salary sacrifice arrangement called Smart Pensions. This is a contractual agreement, which automatically reduces your salary by the amount of your normal contributions to the Scheme and allows the Company to pay them to the Scheme on your behalf. This is a direct advantage to you because, by reducing your salary, you pay less National Insurance contributions. Ultimately, this means your total take-home pay should be higher than if contributions were not made via salary sacrifice. Smart Pensions will not affect your income tax position either, because all contributions are deducted from your pay before income tax.

Salary sacrifice is not right for everyone, please contact HR if you are unsure whether you should utilise this option.

DID YOU KNOW?

Since September 2024, employees have been able to opt to pay additional voluntary contributions (AVCs) via Smart Pensions. Please note this is subject to certain conditions. If you work for Baxi and wish to know more, have a look on your intranet for the full announcement.



PENSIONS DASHBOARDS

In our last newsletter, we introduced the upcoming Pensions Dashboards Programme which will allow you to see all your pension savings including your State Pension in one place. Since then, there have been important developments:

- **Launch Timeline** - The Scheme will begin connecting to the dashboard this year, with a deadline of 31 August 2025. We have been monitoring the progress on this with the Scheme administrator. It is expected that the dashboard will become available to members of the public in 2026, as it is still in development. We will keep you informed of news in this area and when you will be able to access it.
- **Easy and Secure Access** - The dashboard will integrate with your **www.gov.uk** login, making it easier to access your pension information securely.
- **Ensuring Data Accuracy** - Standards have been set to ensure your pension details are correct and up to date when the dashboard goes live.

We will continue to share updates as the launch date approaches. In the meantime, you can visit the official Pensions Dashboards Programme website:

<https://www.pensionsdashboardsprogramme.org.uk/>.

JARGON BUSTER

In this edition of the newsletter, we're introducing a short jargon buster section to help clarify common pension terms.

A comprehensive Glossary of Terms can be found on the website at:
<https://baxipensions.co.uk/guidance-and-education/>

Here are a few key terms that members often ask about:

- **Annuity** - A series of payments (like a pension, but provided to you from an insurance company), made at stated intervals (usually monthly) during the remainder of your lifetime (or for a fixed period of time). The period of payment may be 'guaranteed' if selected by you at the time of purchasing the annuity. This means that if you died within the chosen guarantee period (for example 5 years) an income would continue to be paid to your beneficiary until the end of the guarantee period. You can choose whether you want your annuity to increase in payment (e.g. in line with inflation), and whether a pension should be paid to your surviving spouse, civil partner or dependant following your death.
- **Annual Management Charge** - The annual management charge (AMC) is the standard base charge for being invested in a particular fund. It is usually a fixed percentage of the funds invested but can change over time. This cost is automatically deducted from your individual pensions savings 'pot'.
- **Investment Return** - The amount by which your Retirement Account rises or falls due to investment income (e.g. dividends paid) and changes in capital value. Investment return can be positive (if the value of your fund rises) or negative (if the value of your fund falls).

IN OTHER NEWS

BUCK IS NOW GALLAGHER

Buck, the Scheme administrator, was acquired by Arthur J. Gallagher & Co (Gallagher) during 2024.

As of Monday 1 July 2024, Buck rebranded as Gallagher, and this is the name you are likely to see in communications about the Scheme in future. There are no changes to the team that provides the services to you. Their contact details can be found at the end of this newsletter.

ANNUITY PRICES

Due to recent changes in how these are priced by insurance companies, annuities purchased at retirement have become cheaper, which has led to more people buying them in recent months. If you are approaching retirement, the 'Your retirement' page on the website has got information on what you need to consider: <https://baxipensions.co.uk/your-retirement/>.

Buying an annuity may not necessarily be the right choice for your personal circumstances. We strongly recommend that you take independent financial advice, to discuss what is the most appropriate option for you. You can find a financial adviser in your area at www.unbiased.co.uk. Financial advisers charge for their services, so you may want to ask them to provide a fee estimate at the outset.



YOUR ONLINE EXPERIENCE

Have you recently checked?

<ul style="list-style-type: none">✓ The value of your Retirement Account?✓ That we have your correct personal details on our record?✓ 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)✓ 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 Gallagher, the Scheme administrators whose details are set out at the end of this newsletter.</p>
<ul style="list-style-type: none">✓ 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>



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.

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. This can only be accessed by using your unique logon and password.

THE BAXI WEBSITE:

www.baxipensions.co.uk which provides publicly accessible 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)!

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*)

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.

The Trustee is not responsible for the content of any external websites.

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

Baxi Group Pension Scheme, Gallagher (formerly Buck, rebranded as of 1 July 2024), PO Box 319, Mitcheldean, GL14 9BF

Phone: 0330 123 9581

Email: baxipensions@gallagher.com

Baxi Heating UK Limited
Brooks House
Coventry Road
Warwick CV34 4LL

www.baxiheating.co.uk

