

PENSION UPDATE

The newsletter for members of the
Northumbrian Water Pension Scheme

June 2023

WELCOME

It has been a busy eight months since our last newsletter was issued, with a lot of changes in the Northumbrian Water Pension Scheme and the world of pensions generally. The Trustee is therefore sending you this mid-year update to keep you posted on all these developments.



Last year's newsletter mentioned that we would be moving the administration of the Scheme, including the pensions payroll, to a new provider, Hymans Robertson. This was completed on 5 December 2022. You should have received a welcome letter from Hymans with details of how to get in touch with them, and also login details for their secure member self-service portal, PRISM, where you can view and update your personal details. There's a reminder on page 7 of how to register for PRISM if you haven't already.

Overall, the transition to Hymans went smoothly, except for an issue affecting our pensioners. Unfortunately, HMRC misinterpreted the notification of the change in administrator to mean that some of our pensioners now had another pension in payment, whereas they should have realised that this was a simple change of the paying agent. As a result,

HMRC tried to collect nine months of tax for a number of our pensioners in the remaining three months of the tax year, which caused them a lot of angst and sizeable reductions in their net income. HMRC had to run a major system fix to remedy their mistake, which they did over a weekend in early March. This led to the issue of new tax codes for some 3,000 pensioners, which enabled Hymans to correct the mistakes from January and February and pay the correct pensions, and the overpaid tax, in the late March and early April payrolls. I understand that this was a very stressful period for many of you, but I have every confidence that we won't see a repeat of it in the future.

Other projects undertaken in recent months include preparing for the 2022 valuation (see page 4), appointing a new independent financial adviser to assist deferred

members with their options at retirement (page 5) and of course taking stock of the spring budget and what the chancellor's announcements mean for pensions (page 10).

I hope you find this newsletter interesting and that it gives you a better understanding of how your valuable pension benefits are managed in the Scheme. If you have any comments or questions, or would like further information about any of the topics covered, please email the Pensions Manager at Northumbrian Water. His contact details are given on the back page.

Naomi L'Estrange
Chair of Northumbrian Water Pension Trustees Limited

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SCHEME NOTICEBOARD

FUNDING UPDATE

Work on the Scheme's next full valuation is under way. The valuation will look at the position on 31 December 2022. The first step is for the Trustee and the Company to agree the assumptions that will be used by the Actuary, during his calculations to compare the value of the benefits to be paid to members ('the liabilities') with the value of the Scheme's assets. As the Scheme has now closed to future accrual, the Actuary does not need to assess the cost of providing future benefits building up in the Scheme.

If the Scheme's assets are lower than its liabilities, it is said to have a 'shortfall' (also known as a 'deficit'). A shortfall doesn't mean that the Scheme won't be able to pay members' benefits in full, because the Trustee and the Company are required to agree a funding plan after each triennial valuation to eliminate the shortfall by a specific date.

The last valuation in 2019 showed that the Scheme was 83% funded (that is, the assets covered 83% of the liabilities). An update carried out two years later showed the funding level had improved to 89%.

We hope to report back to you with the results of the valuation in the next member newsletter later this year, but we'll also post updates on **nwgpensionscheme.co.uk** and the Trustee site, **nwgpensions.co.uk**.

2021 FUNDING LEVEL

89%



83%

2019 FUNDING LEVEL



NEW RETIREMENT ADVICE SERVICE

Deciding how to take your pension benefits is an important decision – in many cases it'll be one of the biggest financial decisions you'll ever have to make.

To help members with their planning, the Trustee has appointed Origen Financial Services Limited to provide impartial retirement planning advice to members. Origen is one of the UK's leading financial advisers and is regulated by the Financial Conduct Authority. You can read more about Origen at **www.origenfs.co.uk**, or scan the QR code to watch a short introduction video.



The advisers at Origen are familiar with the Scheme's benefits and are therefore well placed to advise you on your options.

The Scheme will pay for you to benefit from one full advice journey with Origen.

Of course, there are other financial advice firms in the market and you may prefer to use your own financial adviser. However, please note the cost of this will not be met by the Scheme.

Full details on how to access the service will be provided when you receive your retirement pack from Hymans Robertson.

Please also note that if you're interested in transferring your benefits out of the Scheme and the total value of your benefits is £30,000 or more, you are legally required to take financial advice.

UPDATED MEMBER GUIDES ONLINE

In the last newsletter, we told you about a new retirement option for deferred members called the Level Pension Option (LPO). We've produced a guide that explains the LPO in more detail, alongside some generic examples that show how it 'smooths' a member's income during their retirement. We also plan to update the member guide to take account of the fact that the Scheme has now closed to future accrual.

Both guides are available on **nwg pensions.co.uk**. We'll also add the 2022 Trustee Report and Accounts to the site once it has been signed off by the auditor.



LOOK INTO PRISM

PRISM is Hymans Robertson's secure member self-service portal that allows you to manage your pension 24/7. It has a number of useful features, with more to come soon:



Access to statements and documents whenever you want



The ability to view and update your personal information at any time, including your communication preferences, address and nominated beneficiaries.

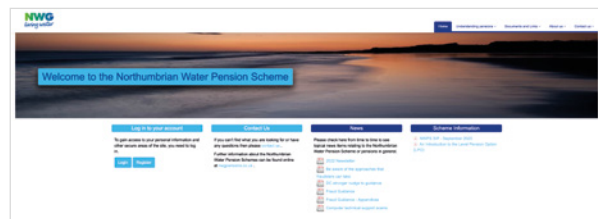
The PRISM team is developing a retirement modelling tool, where you can test out various scenarios at different ages before requesting a detailed quotation, as well as functionality that provides your estimated transfer values online (these won't be guaranteed but provide an indication of the value of your pension, should you be considering a transfer). They are planning to have these extra features available by the end of the summer.

CHECK YOUR DATA

Once you've registered for PRISM, please check your personal member data (including marital status and spouse details). If something needs updating, you can do it online or let Hymans know.

HOW TO REGISTER

Hymans sent out introduction letters in March, which included details of how to register for PRISM. Here's a reminder:



STEP ONE

Go to nwg pensionscheme.co.uk and click on **Register**.

STEP TWO

Enter your personal details and click **Submit**.

STEP THREE

You'll be prompted to choose a unique username and password. Your **username** must be at least 8 characters, and can include upper- and lower-case letters, numbers, or symbols. Your **password** must be at least 9 characters, include both upper- and lower-case letters, at least one number and one special character or symbol. Once added, click **Submit**.

STEP FOUR

A One Time Code will be sent by text message to the mobile phone number you provided in Step 2. Please enter the One Time Code within 30 minutes to complete registration and click **Submit**. If you don't complete your registration within 30 minutes, you'll go back to the start of the process.

When you next log in to your account, you'll only need to enter your username, password and a One Time Code, which will be sent by text message to your registered mobile phone number. Make sure you keep this information safe because it gives access to your personal information.

Of course, we know it's sometimes easier to speak to someone, so we also offer personal support from our administration team when you need it.

INVESTMENT UPDATE

The Trustee has appointed a specialist company called Cardano to select and monitor the Scheme's investment managers.

The Trustee, having been advised by Willis Towers Watson (WTW), will agree with Cardano what it is looking to achieve in terms of investment returns and risk management. Cardano will be expected to deliver results for the Trustee against an agreed mandate, and will have a broad remit to change the investments/managers quickly to take advantage of changing investment conditions.

By making this change the Trustee will be managing the performance of Cardano against its mandate, leaving Cardano to manage the performance of the numerous investment managers.



INVESTMENT PERFORMANCE

The Scheme's investment performance over the past one, three and five-year periods to 31 December 2022*, compared with its benchmark, is shown below:

One year (%)		Three years (% p.a.)		Five years (% p.a.)	
Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
-36.0%	-34.6%	-8.1%	-9.8%	-3.1%	-4.5%

Although the one-year returns may seem alarming, the Trustee does not consider this to be a cause for concern, as the decrease in investment values is in line with a decrease in the Scheme's liabilities, leaving the overall funding position relatively unchanged.

It's worth remembering that your benefits are not linked to movements in the financial markets but are defined by the Trust Deed and Rules. Therefore, recent negative market events have not impacted the pensions due to members and their beneficiaries.



* These returns use unaudited asset figures and may be subject to change.

PENSIONS NEWS

KNOW YOUR LIMITS: CHANGING PENSIONS TAX ALLOWANCES

The Government has changed some of the tax limits that apply to pensions. If you're still paying into a pension, this means you can pay in more and enjoy tax relief on those extra contributions.

For deferred members and pensioners, the main change that may affect you is the removal of the Lifetime Allowance (LTA) tax charge from April 2023.

The LTA was a limit on the amount of pension savings you could build up tax-free over your lifetime and had been frozen

at just over £1 million. If you went over the limit, you had to pay a tax charge at retirement on the excess of up to 55%.

From 6 April 2023, there is no LTA charge on the benefits valued above the LTA for members drawing their benefits or transferring them to an overseas pension scheme. The LTA is expected to be removed from legislation from 6 April 2024. Your marginal rate of income tax may apply instead.

The administrator, Hymans Robertson, must still provide information about the LTA to you until 5 April 2024.

CAP ON TAX-FREE CASH

Under current rules, you can take up to 25% of your retirement savings as tax-free cash when you retire. This has now been capped at £268,275 (or 25% of the last Lifetime Allowance of £1,073,100). If you applied for protection when the LTA was higher, you may be eligible to take a higher tax-free cash amount.

Hymans Robertson can't provide advice on personal financial matters, so if you think you might be affected by these changes, you should consider speaking to an independent financial adviser.

WATCH OUT FOR PENSION SCAMS

Anyone can become a victim of a pension scam. Here are a few common warning signs you can look out for:



Cold calls – unexpected pension offers whether made online, on social media or over the phone are nearly always scams. These types of calls have now been banned, so if you do get one, hang up, do not reply to emails or texts, and do not follow links.



Unregulated advisers – make sure you know who you are dealing with before changing your pension arrangements. Check the ScamSmart website www.fca.org.uk/scamsmart or call 0800 111 6768 to see if the firm you are dealing with is authorised by the Financial Conduct Authority to give advice on pension transfers.



Limited time offers – you should never be rushed or feel pressured into making any decision about your pension.

UPDATE TO PLSA RETIREMENT LIVING STANDARDS

The Retirement Living Standards (RLS) website has been updated for 2023, to account for the impact of higher inflation. The website provides pension savers with a better idea of how much they might spend each year on food, travel, home DIY and more. Go to www.retirementlivingstandards.org.uk

STATE PENSION AGE CHANGES

The Government has shelved plans to bring forward the rise in State Pension Age to 68. Under current legislation, SPA is expected to increase to 68 between 2044 and 2046. The Government had proposed bringing this forward to 2039 (with the media reporting that it could even happen as early as 2033). However, earlier this year the Government confirmed that the SPA timetable would remain unchanged for the time being.



GET IN TOUCH

If you have any general questions about the Scheme or your benefits, or if you would like to request a copy of the formal Scheme Report and Accounts, or the Summary Funding Statement, you can contact the Company's Pensions Manager, John Pengelly:

 Email: yourpension@nwl.co.uk

HYMANS ROBERTSON

 Email: nwps@hymans.co.uk

 Telephone: 0141 227 9800

 Write to:
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This newsletter has been prepared by the Trustee of the Northumbrian Water Pension Scheme. None of the information in it constitutes financial advice or guidance. You should consider seeking your own independent financial advice if you are in any doubt about the benefits and options available to you or your dependants.