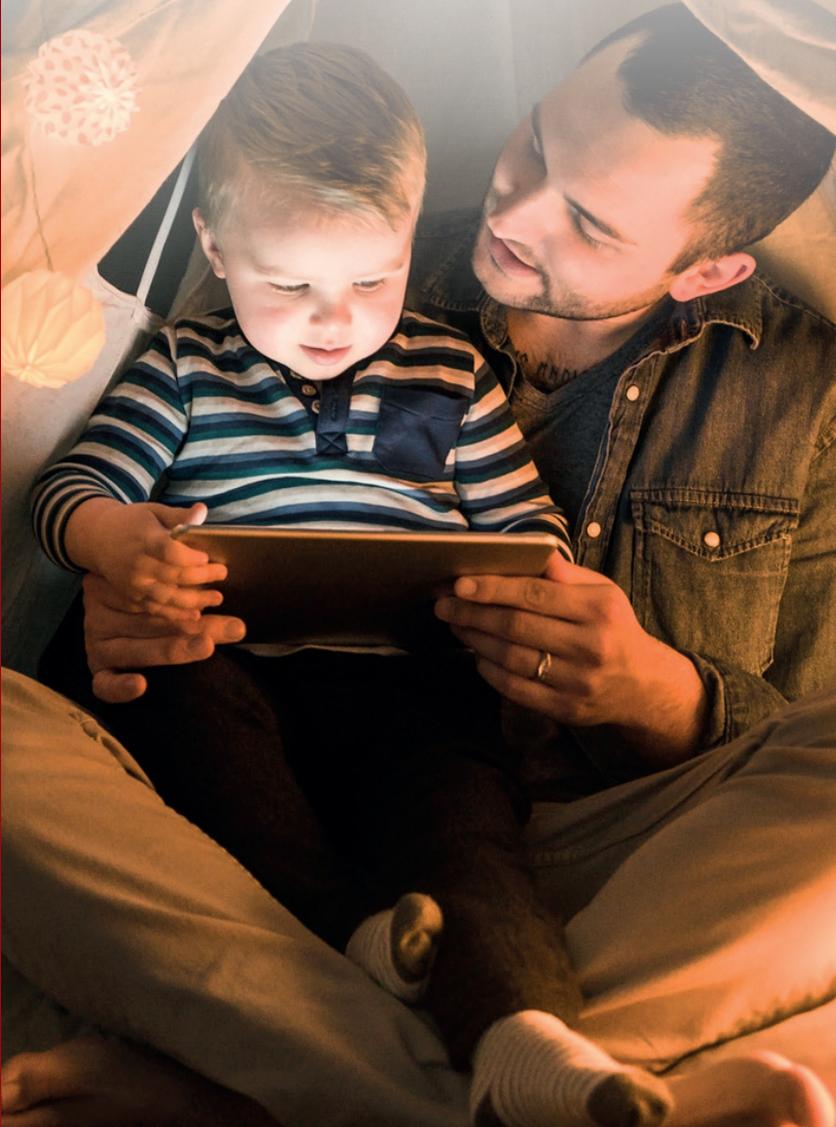


The newsletter of the E.ON UK Group of  
the Electricity Supply Pension Scheme

# In touch

## *e.on*



# Welcome from the Chair



**Welcome to the March 2023 edition of your In touch newsletter, in which we bring you the latest news from the E.ON UK Group of the ESPS.**

This edition includes the latest Summary Funding Statement, which provides an update on the financial health of the Scheme as at 31 March 2022. We also set out information on the increase to pensions that will apply from 1 April 2023 for members of our final salary categories.

The outcome of the Member-Nominated Trustee selection process that was carried out in late 2022 can be found on page 6. Another selection process is about to start as the terms of office of three of the current Member-Nominated Trustees, or MNTs, are due to end on 30 June 2023. Details of the process involved in selecting MNTs and how to apply, if you are interested in becoming an MNT, are set out on pages 7 to 11.

Finally, I would remind members that further information on your Scheme can be found on the member website — **[myeonpension.com](https://myeonpension.com)**. I would also remind members that the threat of pension fraud or scams remains at a high level and more information on the warning signs to look out for can be found on page 14.

Martine Trouard-Riolle

# Summary Funding Statement

**The following statement provides more detail on the Scheme's financial health and explains the financial support provided by the Company.**

The Scheme actuary carries out an Actuarial Valuation every three years. The purpose of this is to establish whether there is enough money in the Scheme to pay out all the benefits when they fall due. After each valuation is completed, the Trustees and E.ON UK plc agree the level of contributions needed. The Actuary then updates the position each year. Set out below is the information on the Scheme's financial health, following completion of the annual Actuarial report as at 31 March 2022.

	<b>£ million</b>
Assets	4,668.4
Amount needed to provide benefits (technical provisions)	4,660.5
Surplus	7.9
Funding level	100.2%

Since the 2021 Actuarial Valuation, the funding position of the Scheme has deteriorated slightly, with the funding surplus decreasing from £21.6m to £7.9m. The Scheme's assets and the value of the liabilities have fallen since the valuation date due to rising government bond yields, with the assets falling slightly further contributing to a worsening of the funding position.

As the Actuarial Valuation as at 31 March 2021 revealed a funding surplus, there are no deficit repair contributions payable by E.ON UK. However, from 1 September 2022, E.ON UK has been paying contributions of 42.5% of members' pensionable salaries for those in the final salary categories and 24% of members' pensionable salaries for those in the Retirement Balance Plan category towards the cost of building up future benefits and to meet the expenses of the Scheme.

The Pensions Regulator can issue instructions to modify benefit accruals under the Scheme, give directions about working out its technical provisions or impose a schedule of contributions. The Trustee is pleased to confirm that the Regulator has not needed to use its powers for this Scheme.

# Parent Company Guarantee

E.ON SE, which is the German parent company of E.ON UK, continues to provide a parent company guarantee. This is also known as 'PCG'. It means that in the unlikely event of E.ON UK not being able to pay its agreed contributions to the Scheme, then E.ON SE will be required to pay them.

The PCG also guarantees the Scheme's liabilities to pay pensions if E.ON UK were to become insolvent. In the unlikely event of this happening, E.ON SE is required to fully fund the Scheme on a basis which requires it to take minimal investment risk to meet its future obligations. The PCG will remain in place until this funding level is reached, which is likely to be many years into the future. In the meantime, E.ON UK will continue to hold the obligation to make good any deficit which arises on future valuations.

There are certain other limited circumstances in which the PCG can be replaced, such as on the sale of E.ON UK. In this instance, the PCG promises that alternative appropriate security would be put in place. In exchange for the additional security provided by the PCG, the Trustees agreed with the Company to invest the Scheme's assets to target a return of 2% p.a. above the return on government bonds for a minimum period of 10 years.

The PCG provides a valuable additional layer of security to protect members' benefits and is an important part of the long-term funding agreement reached with the Company.

# The importance of E.ON UK's support

**The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future.** However, the success of the Scheme relies on its continuing support from E.ON UK because:



E.ON UK **pays a substantial contribution** each month towards the future cost of the Scheme;



The **funding level can fluctuate** and, when there is a funding shortfall, E.ON UK will usually need to put in more money, and;



If the target funding level, which is assessed at each actuarial valuation, turns out not to be enough, E.ON UK will need to **put in more money**.

## How does the Scheme work?

E.ON UK plc pays contributions to the Scheme so that the Scheme can build up a fund to pay pensions and other benefits to Scheme members when they retire. Current members also pay contributions to the Scheme, which are either deducted from gross salary or paid through the salary sacrifice arrangement.

## How is the amount the Scheme needs worked out?

The Trustees have a funding plan – the Statement of Funding Principles – which is agreed with E.ON UK plc and aims to make sure there is enough money in the Scheme to pay for pensions now and in the future. The amount of money paid in by E.ON UK and the other employers who participate in the Scheme may go up or down, following regular funding checks by the Scheme actuary. This is referred to as Actuarial Valuations.

## What would happen if the Scheme started to wind up?

If the Scheme had been discontinued at 31 March 2021, the deficit would have been £962 million, equal to a funding level of 84%. The Trustees are required to look at this situation to understand the Scheme's financial health and the extent to which this relies on the continuing prosperity of E.ON UK plc. It does not mean that E.ON UK plc is thinking of winding up the Scheme. The Trustees are satisfied that E.ON UK plc is committed to continuing its support for the Scheme.

Under the provisions of the ESPS, the Scheme could only be wound up in limited circumstances such as the insolvency of E.ON UK. If the Scheme starts to wind up, then even if it is fully funded under our funding plan, you might not get the full amount of pension you had built up. In this situation, E.ON UK, or E.ON SE, to the extent required under the PCG, would be required to pay enough for the Scheme to secure members' benefits with an insurance company, if it could. The Pension Protection Fund may provide some support for pension schemes that wind up with a shortfall.

Further information and guidance is available on the Pension Protection Fund's website at [ppf.co.uk](http://ppf.co.uk) or you can write to the Pension Protection Fund at **Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.**

## Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that E.ON UK plc will continue in business and support the Scheme.

## Where can I get more information?

If you have any other questions, or would like any more information, please contact Railpen, the Scheme administrators. Their contact details are on the back page.

You can also ask to see the Scheme's formal documents, including our Statements of Funding and Investment Principles. The latest audited report and financial statements and Actuarial report, as well as the Schedule of Contributions, are also available.

If you are considering making any changes to your pension arrangements, such as opting out of the Scheme, you should obtain as much information as you can and think about obtaining independent financial advice. The Financial Services Authority website – [fsa.org.uk](http://fsa.org.uk) – has more information about finding a qualified financial adviser and you can find information about independent financial advisers in your area at [unbiased.co.uk](http://unbiased.co.uk).

# 2022 Member-Nominated Trustee (MNT) selection process

**The Trustees are pleased to announce the outcome of the recent MNT selection process.**

The term of office for Adrian Harris expired on 30 November 2022 and there was also an existing vacancy for an MNT.

All candidates who put themselves forward for the role were assessed on their suitability for it by a selection panel set up by the Trustees, consisting of the Chair of the Trustee Board, an existing Member-Nominated Trustee on the Board and the Trustees' legal adviser. The panel selected Gary Marsh, a pensioner member of the Scheme, and re-selected Adrian Harris, to join the Trustee Board with effect from 1 December 2022 for a four-year term of office. The Trustees are delighted to welcome Gary to the Board and to continue working

with Adrian. The Trustees would also like to thank all of the other candidates for their interest in the role and for taking part in the selection process.

## **Adrian Harris**

Adrian has served as a Trustee since July 2009. He has over 30 years' experience of working in pensions, including 20 years' service within the E.ON pensions team prior to his retirement.

## **Gary Marsh**

Gary retired from E.ON in 2007 having worked for them in various roles in the UK and overseas, and prior to that with Powergen and the Central Electricity Generating Board. Gary has also held a number of school governor roles and non-executive directorships.

**The Board now consists of ten Trustees: five are appointed by E.ON UK plc and five are nominated by the members.**

## Appointed



Martine  
Trouard-Riolle  
– Chair\*



Keith  
Plowman  
– Deputy Chair\*\*



Stefan  
Brenk



Sara  
Leavesley



Graeme  
Thompson

## Member-Nominated



Mike  
Andrews\*\*



Chris  
Brown\*\*



Derek  
Evans\*\*



Adrian  
Harris\*\*



Gary  
Marsh\*\*

\*The Company has appointed Capital Cranfield Trustees Limited represented by Martine Trouard-Riolle as independent Chair of the Trustee Board. \*\*Pensioner member of the E.ON UK Group of the ESPS.

# 2023 Member-Nominated Trustee (MNT) selection process

## Could you help run the Scheme?

Being a Member-Nominated Trustee (MNT) is a challenging but rewarding role. If you are interested in putting yourself forward for this role, please read the information below.

The Trustee of the Scheme is a company called E.ON UK Trustees Limited. In addition to the duties of any company director, the Directors of E.ON UK Trustees Limited have the same functions as individual Trustees; for ease the term 'Trustees' has been used instead of the more accurate term 'Directors of E.ON UK Trustees Limited'.

## What is a Trustee?

Most occupational pension schemes in the UK, including this Scheme, are set up as Trusts. The Trust framework provides security for members' benefits by ensuring the assets of the pension scheme are kept separate from those of the Company. It also means the Scheme can take advantage of certain tax allowances.

All of the Trustees, whether Member-Nominated or appointed by the Company, have the same powers, functions and responsibilities.

## Do MNTs have to be pensions experts?

No, you do not need to be a pensions expert or have any prior experience to become an MNT. We will provide all the training you need to fulfil the role, plus you will have the support of professional advisers and an in-house pensions team.

## What responsibilities do MNTs have?

- to ensure that all members receive their benefits on time
- to ensure that the Scheme's assets are invested prudently and held securely, separately from those of the Company
- to appoint professional advisers to help with the running of the Scheme
- to ensure that the Scheme complies with all Trust, regulatory and legal requirements
- to monitor the security of members' benefits
- to check that the Scheme receives the correct amount of money it is due and that accurate records are kept each year
- to make discretionary decisions in certain situations
- to ensure that members know about their benefits and how the Scheme is run, by producing regular communications
- to have sufficient knowledge and understanding of trust law, funding and investment principles to carry out their duties, and;
- to be familiar with key documents such as the Trust Deed and Rules

When discharging these duties and responsibilities, the Trustees are required to

act in line with the Trust Deed and Rules, act prudently, responsibly and honestly, as well as in the best interests of the beneficiaries and impartially towards all beneficiaries.

The Trustee Board welcomes applications from all members that meet the following criteria.

### MNT criteria

There is a number of general criteria which you need to meet to be an MNT:

- You must be an active member (i.e. current contributor), member with deferred benefits or pensioner of the Scheme
- You must not have been convicted of an offence, or be the subject of current criminal proceedings, involving dishonesty or deception
- You must not have been disqualified from acting as a trustee or company director
- You must not be an undischarged bankrupt, or have entered into certain other voluntary agreements with creditors
- You must be resident in the United Kingdom

The key skills and experience required for this role are set out below. All applications will be considered by a selection panel on their individual merits. Further information on the

selection process is also provided below.

## Skills and experience required

A Trustee has an extremely important role which is both rewarding and challenging. Trustees are routinely faced with difficult and complex decisions as they attempt to balance the interests of various stakeholders and run the Scheme in an ever-changing legislative environment. One of the most complex areas for which the Trustees are responsible is the investment of Scheme assets. Although training will be provided, it is vital that the Trustees are familiar with investment markets and have a keen interest in investment matters.

Some of the key skills and experience required for this role are set out below:

- previous experience of working as part of a decision-making group, either on a Board, Council or Committee in a business, charitable, public or other voluntary environment
- good interpersonal and communication skills
- ability to absorb complex and technical information and to deal appropriately with confidential matters
- confidence in contributing to discussions, and challenging advice where necessary

- ideally some understanding of pensions, investment markets and the issues facing pension schemes today

Following an assessment of the skills and experience of the existing Trustees, the Board would particularly welcome those with a background in financial management, communications, IT/cyber-security or investment.

## Time commitment

The role of a Trustee requires a significant time commitment which should not be underestimated.

The Trustee Board usually meets between six and eight times each year, sometimes more often during periods of heavy workloads when, for example, a review of investment strategy and an Actuarial Valuation is being carried out. The Board also has four sub-committees that meet regularly – an Investment Committee, Governance & Risk Committee, Member Communications Committee and Determinations Committee – and each Trustee would normally expect to be on at least two of these. A significant level of reading is necessary – the papers for each Board and Committee meeting are normally issued a week in advance and Trustees are expected to have given them detailed consideration before the meeting. Regular training also has to be undertaken.

## **Trustee training**

All Trustees are required to undergo training to ensure that they are properly equipped for the role. They also need to comply with the legal requirement that they have a certain level of knowledge and understanding of the Scheme's governing documentation and pensions law in general. Trustees are not expected to be pensions experts and are supported by a range of professional advisers, but they need to be able to understand and challenge the advice received.

The Pensions Regulator requires trustees to be familiar with a number of areas of scheme management almost immediately upon taking office. To comply with this, the Board requires any new Trustees to have completed the Pensions Regulator's Trustee toolkit online learning programme within around six months of becoming a Trustee.

Induction training will be provided to a new Trustee shortly after appointment. An individual training plan will then be agreed and training arranged as per the plan.

## **Trustee remuneration and expenses**

The role of a Trustee to the Scheme is voluntary. However, pensioner Trustees will receive a level of remuneration each year in recognition of the required time commitment, the challenging nature of the role and to meet the cost of computer equipment necessary for them to fulfil

their duties. All reasonable travel expenses incurred by the Trustees are reimbursed by the Scheme. Current employees of E.ON UK are afforded the necessary time from work to enable them to fulfil their duties.

## **The nomination and selection process**

The Board reviewed the arrangements for the nomination and selection of Trustees earlier this year and decided to adopt full selection for this process. The complexity and legal responsibilities of the role of a Trustee have increased substantially in recent years and the Board believes that a selection process enables a thorough examination of candidates' suitability for this complex role to be carried out and also provides the opportunity to select candidates whose skills best complement the existing Board members. The Board has sought independent advice on this issue and is satisfied that the process is an appropriate one which meets the Pensions Regulator's criteria of fairness, proportionality and transparency.

The full process for the selection of Trustees is as follows:

- Candidates must complete the questionnaire and return it to the address given on the form by **21 April 2023**. Alternatively, please download a form from the member website – [myeonpension.com](http://myeonpension.com) – and email it to [pensions.feedback@eon-uk.com](mailto:pensions.feedback@eon-uk.com) by **21 April 2023**.
- All eligible candidates will be considered for their suitability for appointment as Trustees by a Selection Panel set up by the Trustees. The Selection Panel will consist of the Chair of the Trustee Board, the Trustees' legal adviser and one existing MNT, although any MNTs standing for re-selection will not take part in the selection process.
- The Selection Panel will review the questionnaires and, if it considers it appropriate to do so, will produce a shortlist of the most suitable candidates. The candidates, or, if applicable, the shortlisted candidates, will be invited to attend individual meetings with the Selection Panel. These are expected to take place during **May 2023** by Microsoft Teams video conference. The Selection Panel will use the same objective criteria to assess each of the candidates and details of these criteria will be shared with them before the meetings.
- Following the meetings, the Selection Panel will decide which candidates to appoint to the Trustee Board.

## Term of appointment

The two selected candidates will have an initial six-year term of office commencing from the first Board meeting held after 1 July 2023 and ending in June 2029. MNTs may be appointed for a maximum of two consecutive terms. An MNT may resign at any time.

Further information on the role of a pension scheme trustee can be obtained from the Pensions Regulator's website at [thepensionsregulator.gov.uk/trustees](http://thepensionsregulator.gov.uk/trustees).

Please email [pensions.feedback@eon-uk.com](mailto:pensions.feedback@eon-uk.com) should you have any questions on the selection process.

**Please remember that the deadline for the return of the questionnaire is 21 April 2023.**

# Pension increase 2023

For members of the final salary categories, the Scheme rules provide that pensions in payment are increased each year, and deferred pensions are increased over the period between leaving service and retirement (for certain categories, these increases to deferred pensions apply annually from 1 April each year). The amount of increase applied each April is calculated in accordance with the percentage rise in the Retail Prices Index (RPI) for the preceding September, up to 5%. If the increase in the RPI is greater than 5%, as it was in September 2022, then any increase above that amount is not guaranteed and under the Scheme rules is a decision for the Company to consider. Having given this matter careful consideration, the Company has decided that an increase of 5% will apply for April 2023. Members who have been retired for less than a year on 1 April 2023 will receive a proportion of this increase.

Before April 2016, the Scheme was contracted out, which meant that members of the final salary categories and E.ON (or any predecessor employer) paid a lower rate of National Insurance. The Scheme had to ensure that your pension met a minimum level set by the Government. For contracting-out service at any time between 6 April 1978 and 5 April 1997, this minimum level is known as the Guaranteed Minimum Pension or GMP.

Once you reach age 65 (if you are a man) or 60 (if you are a woman), the way in which the GMP element of your pension increases is complex and is explained below:

## **GMP built up from 6 April 1988**

The Scheme applies increases to any GMP you built up from 6 April 1988 in line with increases in the Consumer Prices Index (CPI) capped at 3% per annum. The state will top up the increase to the GMP you built up from 6 April 1988 so that it matches CPI inflation when it is above 3%. This top-up is paid directly to you via the State Pension system.

## **GMP built up before 6 April 1988**

The state will pay increases to any GMP you built up before 6 April 1988 in line with CPI inflation. These increases will be paid directly to you via the State Pension system.

However, these increases will not be provided by the state if you reached your State Pension Age on or after 6 April 2016, when a new State Pension system was introduced. This was a Government change to the State Pension system and there was no change to the Scheme rules.

## State Pensions

State Pensions increase on 6 April 2023. The basic State Pension will increase by 10.1%, in line with the government's 'triple-lock' promise.

People who reached State Pension age before 2016 will see their basic State Pension rise from £141.85 a week to £156.20 a week, and people who reached State Pension age after 2016 will see their State Pension rise from £185.15 a week to £203.85 a week.

The exact amount you will receive depends on your individual circumstances. There may be some reduction to reflect periods when you have been contracted out and paid a lower rate of National Insurance.

Railpen will, as usual, send out your pension increase statement in April 2023, which will give a breakdown of the increase applicable to your Scheme pension.

# GMP equalisation update

In 2019, we reported on the High Court's ruling that Guaranteed Minimum Pensions, or GMPs, must be equalised between men and women. A GMP is the minimum level of pension income a workplace pension scheme had to provide to employees who had been contracted out of the earnings-related State Pension scheme.

This is a complex area and we've been working closely with our advisers to assess if and how members may be affected and how to address any unequal benefits.

If you're currently receiving a pension from the Scheme and your pension needs an adjustment we'll write to you in late summer 2023 with more information on how this will be applied, including some flexibility for

qualifying members in the way in which they take their pension. This is known as a Pension Increase Exchange, or 'PIE' option, which gives you the choice to exchange some of your future pension increases for a one-off increase to your current pension – if that suits your circumstances. There will be plenty of information, alongside paid-for financial advice, to help you decide if PIE is the right course of action for you, so please look out for this later in the year.

For members who have not yet started to receive their pension, also known as 'contributing' or 'deferred' members, we continue to assess how to address any unequal GMP benefits. More information will follow in due course.



## Beware of pension scams

### **Make sure you don't fall for a pension scam.**

You could end up losing your pension savings as well as facing a huge tax bill.

Protect yourself by reading these tips to avoid becoming a victim of a pension scam:

- Always reject unexpected calls, emails, texts or social media approaches about pensions
- Be very wary if you're offered a free pension review
- Do your own research on anyone offering you financial advice. Check the Financial Conduct Authority (FCA) register at [fca.org.uk/register](https://www.fca.org.uk/register) or call **0800 111 6768** to make sure they are FCA-authorised
- The company or individual in question could have a reputation – check if there have been any complaints made online. Also be cautious if their address is a PO Box address and their only contact number is a mobile number
- Never allow yourself to be rushed into a decision
- If a pension or investment offer sounds too good to be true, it probably is

Check [fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart) for lists of known scams.

You can also call MoneyHelper on **0800 011 3797** if you have any doubts.

# Find out more

If you want specific information about your pension, you will need to get in touch with our pension scheme administrator, Railpen, which calculates and pays the benefits on behalf of the Trustees and holds all the individual member records.

Railpen's contact details are:

Railpen  
2 Rye Hill Office Park  
Birmingham Road  
Coventry  
CV5 9AB

Email: **[enquiries@railpen.com](mailto:enquiries@railpen.com)**

Telephone: **0247 6472 541**

If you have a question for the Trustees, you can email **[pensions.feedback@eon-uk.com](mailto:pensions.feedback@eon-uk.com)**. If you don't have access to email, please write to Railpen and your letter will be passed on. You can also ask to see the Scheme's formal documents, including our Statement of Funding Principles and Statement of Investment Principles.

Information on the Scheme is also available at **[myeonpension.com](http://myeonpension.com)**.