

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 February 2018 edition of In Touch.

The trustees have had another busy year following the successful conclusion of the 31 March 2015 actuarial valuation. The Pensions Regulator expects pension schemes to be run to very high standards and the trustee board has been looking at how we operate in all areas to make sure that our governance is in line with, or better than, the standards expected by the Pensions Regulator.

We held member meetings in May 2017 in Coventry and Ipswich. The meetings primarily focused on the outcome of the 2015 actuarial valuation and David Eteen, our actuary from Aon Hewitt, talked members through the process. There was also an update on the investment strategy from Cardano and an update on E.ON's business following the spin-off of the generation assets to Uniper. All the presentation slides can be found on our website.

There have been some changes to the trustees appointed by E.ON and you can find out more about the new trustees in this edition of In Touch, along with the results of the recent trustee election.

We also provide a summary of the financial statements and an update on the funding position of the scheme.

Martine Trouard-Riolle

Summary Funding Statement

This statement provides you with an update on the scheme's funding position.

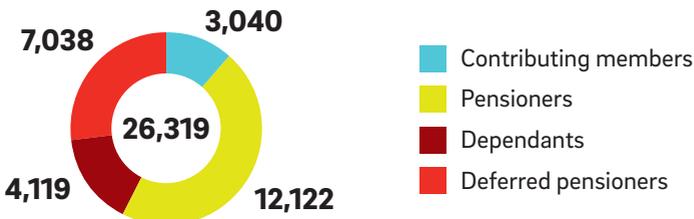
The Actuary carries out an actuarial valuation every three years. The purpose of this is to establish whether there is enough money in the scheme to pay the benefits when they fall due. The next full actuarial valuation of the scheme is due to take place as at 31 March 2018.

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. This statement provides you with information about the funding position of the scheme as at 31 March 2017 – the date of the most recent funding update completed by the Actuary.

The Actuary calculates the funding position on two different bases: the ongoing 'technical provisions' basis, and the 'solvency' basis. The **technical provisions basis** requires the trustees to use a prudent set of assumptions to calculate the level of assets that would be required today so that the scheme could pay out benefits built up to date. If there is a shortfall or deficit on this basis, the trustees and E.ON UK must agree a plan to pay it off, known as the recovery plan.

The **solvency basis** is a more conservative approach than the technical provisions basis, and assumes that all benefits due from the scheme are secured through policies with an insurance company.

Membership statistics at 31 March 2017





The funding position of the scheme

The table below sets out the funding position of the scheme as at 31 March 2017, as well as the funding position as at the most recent triennial valuation on 31 March 2015.

	Technical Provisions 2017	Solvency 2017	Technical Provisions 2015	Solvency 2015
Assets	£4,578m	£4,578m	£4,225m	£4,225m
Liabilities	£5,432m	£6,873m	£5,192m	£6,894m
Deficit	(£854m)	(£2,295m)	(£967m)	(£2,669m)
Funding level	84%	67%	81%	61%

Since the 2015 actuarial valuation, the funding position has improved slightly due mainly to the payment of deficit repair contributions from the company and better than targeted investment returns, offset by an increase in the value placed on the liabilities.



Recovery plan

Following the 2015 actuarial valuation, the trustees and E.ON UK agreed a funding plan to repair the deficit.

Payments of **£420m** have been received so far and a further eight annual payments of **£65m** will be paid each January from 2019 to 2026.

Since 1 January 2017, E.ON UK is paying contributions of **47%** of members' pensionable salaries for members of the final salary categories and **27%** of members' pensionable salaries for members of the Retirement Balance Plan category towards the cost of building up future benefits and to meet the expenses of the scheme.

The company pays further contributions in respect of members of the defined contribution categories. This plan will be reviewed at each triennial valuation to make sure it is on track.

How secure is my pension?

As part of the valuation process, the trustees assess the ability of E.ON UK to continue to support the scheme, and this is used to agree a sustainable recovery plan that should be appropriate for the employers' future business plans.

In addition, E.ON SE, the German parent company of E.ON UK, has provided a parent company guarantee which we told you about in the last edition of In Touch.

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 terms of the parent company guarantee), 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 is available at pensionprotectionfund.org.uk.

The trustees are required to notify you of any payments made to E.ON UK, or modifications or directions on the scheme made by The Pensions Regulator. There have been no such payments, modifications or directions.

Accounts 2017

Money coming in	£ million
Contributions from members (including salary sacrifice and AVCs)	7.7
Contributions from Company - normal	35.1
Contributions from Company – deficit repair	302.5
Contributions from Company – early retirement and other	5.9
Transfer values from other pension arrangements	5.3
Investment income	3.2
Total coming in	359.7

Money paid out	£ million
Pensions	174.0
Lump sums on retirement	12.5
Lump sums on death	0.5
Purchase of pensions with AVC and DC funds	0.6
Transfers paid to other pension arrangements	22.1
Annual and Lifetime Allowance tax charges	0.1
Pension Protection Fund and other levies	0.8
Administration expenses	2.2
Investment management expenses	3.9
Total paid out	216.7

Change in value of the fund	£ million
Fund value at 31 March 2016	3,825.2
Money coming in	359.7
Money paid out	(216.7)
Change in market value of investments	626.7
Fund value at 31 March 2017	4,594.9

Split of fund value	£ million
Defined Benefit investments	4,574.0
Defined Benefit working capital	3.7
Additional Voluntary Contributions	5.7
Defined Contribution investments	11.5

Where we are invested

Year ended 31 March 2017

Asset Class/Fund Manager	£million	Fund return
Matching assets		
Liability Hedging Assets		
Insight	2,282.2	22.5%
Return seeking assets		
Credit (Bonds)		
Blue Bay	146.0	6.4%
Blue Mountain	172.4	15.0%
Equity		
BlackRock	105.5	18.2%
Lyxor	185.8	8.2%
Westwood	108.4	35.2%
Egerton	212.6	20.2%
Property		
Aberdeen	11.0	6.6%
Macro-Oriented		
Brevan Howard	119.3	1.0%
Bridgewater	204.0	8.6%
Capula	126.3	-3.6%
Caxton	154.1	1.6%
Lynx	70.3	-10.5%
Winton	131.7	-1.7%
Diversified Growth		
Invesco Perpetual	358.3	5.0%
Niche Assets/Private Equity		
Cambridge Associates	75.3	17.2%
Other Hedging Assets		
US Dollar Hedge	61.6	-12.4%
Equity Total Return Swap	-1.6	-1.7%
Other		
Other*	56.6	n/a
Total**	4,579.8	16.4%

*Additional Voluntary Contributions assets, cash balances and accruals.

**Total excludes DC investments and DB working capital.

Trustee election results

The trustees are pleased to announce the results of the recent trustee selection and election process.

The term of office for Chris Brown and Derek Evans expired on 31 December 2017 and there was an existing vacancy for a member-nominated trustee.

Members were therefore able to vote for three candidates at this election, with the results being decided on a 'first past the post' basis, meaning that the three candidates who received the most votes have been elected as trustees.

The election results were independently verified by Electoral Reform Services, which oversaw the ballot process on behalf of the trustees.

All candidates who were nominated by members were assessed for their suitability for the trustee role by a selection panel set up by the trustees. The selection panel consisted of three independent members and the secretary to the trustees.

Eight candidates, including Chris and Derek, were put forward to the ballot process by the panel.

The three candidates who received the most votes are:



Derek Evans

Derek has served as a trustee for 16 years. He retired from E.ON in 2010 after 40 years in the industry working as a mechanical fitter.



Mike Andrews

Mike was a trustee of the Eastern scheme and then the E.ON scheme for 18 years until June 2016. He was Group Treasurer of Eastern for 11 years prior to his retirement in 2000.



Chris Brown

Chris has served as a trustee since 2006. He retired from E.ON in 2012 having worked for East Midlands Electricity Board, Powergen and latterly E.ON since leaving school in 1973.

The period of office runs until 30 June 2023.

The trustees would like to thank members for voting and taking an active interest in the management of the scheme.

The trustees would also like to congratulate the successful candidates and thank all of the other candidates for their interest in the role and taking part in the selection and election process.

4,262 members
(28.60% of those
eligible to vote)
cast a total of
11,895 votes in
the election.

The trustees

There are ten trustees: five are appointed by E.ON UK plc and five are nominated by the members.

Appointed

Martine Trouard-Riolle – Chairman*

Keith Plowman – Deputy Chairman
(appointed 1 May 2017)

John Harding

Chris Lovatt (resigned 17 January 2018)**

Graeme Thompson (appointed 5 July 2017)

Stefan Brenk (appointed 18 January 2018)

Member-Nominated

Ant Donaldson

Chris Brown***

Derek Evans***

Adrian Harris***

Mike Andrews (effective from 18 January 2018)***

*The Company has appointed Capital Cranfield Trustees Limited represented by Martine Trouard-Riolle as independent chair of the trustee board.

**Following his appointment to the board of E.ON UK as Managing Director of the Residential Business, Chris Lovatt has resigned from the trustee board.

***Pensioner member of the E.ON UK Group of the ESPS.

The trustees met 11 times between 1 April 2016 and 31 March 2017.

The new company-appointed trustees are Keith Plowman, Graeme Thompson and Stefan Brenk.

Keith Plowman



Keith has a Bachelor degree in Engineering from the University of Wales and a Masters in Business Administration from Aston University.

He held a number of engineering, operational and leadership positions within Powergen/E.ON in project development, CHP, renewables and thermal generation. In 2008, he was appointed Managing Director of E.ON Kraftwerke GmbH responsible for E.ON's thermal power stations. In 2011, he joined E.ON SE in International Energy and is currently responsible for E.ON's business in Turkey.

Graeme Thompson



Graeme trained as a Chartered Accountant at Coopers & Lybrand (now PWC) and joined Powergen in 1996.

He had a number of roles within finance before becoming Director, Controlling and Accounting after the E.ON acquisition, and then Finance & Regulation Director of Central Networks. He left E.ON following the Central Networks sale and for the last six years has been Chief Financial Officer at HS1 Limited which owns the concession to operate and maintain the high speed rail network and stations connecting London St Pancras to the Channel Tunnel. Graeme is a member of the Investment Committee.

Stefan Brenk



Stefan studied Economics, Mathematics and History in Essen, Cologne and Edinburgh.

He started his career as a portfolio strategy analyst at HSBC before joining E.ON in 2008 to support the Asset Strategy Group. Between 2015 and 2017 Stefan worked for Thyssenkrupp as a global pension expert before re-joining E.ON SE in 2017 as Head of Pension Finance & Asset Strategy at E.ON SE. Stefan will also be joining the Investment Committee.



Where can I get more information?

If you have any other questions, or would like any more information, please contact RPMI EPAL, the scheme administrator. 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 Recovery Plan and Schedule of Contributions, are available on our website or if you would like a paper copy, please contact RPMI EPAL.

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 Conduct Authority website – fca.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.



Our advisers

To assist them in their work, the trustees have appointed a team of professional advisers.

The trustees have formal agreements with all their advisers and also have a rolling programme to review them. The scheme custodian is centrally appointed by the ESPS trustee.

Actuary:	David Eteen of Aon Hewitt Limited
Investment Adviser (Defined Benefit):	Cardano Risk Management B.V.
Investment Adviser (Defined Contribution and AVC):	Aon Hewitt Limited
Principal Legal Adviser:	DLA Piper LLP
Independent Auditor:	PricewaterhouseCoopers LLP
Sponsor Covenant Assessor:	Lincoln Pensions
Administrator:	RPMI EPAL
Scheme Custodian:	The Bank of New York Mellon

Pension fraud

What you need to look out for:

- Did you get cold called or an email out of the blue offering a free pension review?
- Is the firm or individual FCA registered?
- And are they authorised to give advice on pensions? Check at fca.org.uk/register
- Have there been complaints about the adviser, firm or investment?
- Is their address a PO Box or a serviced office? Can you contact the business at their registered office?
- Is the contact number a mobile number?

Do a thorough internet search and check on forums and social media for mentions of the firm and the suggested investment.

Check at fca.org.uk/scamsmart for lists of known scams. Don't be rushed into anything as you could end up losing your pension savings and you could also get a huge tax bill. You can find out more at pension-scams.com. You can also call the Pensions Advisory Service on 0300 123 1047 if you have any doubts.

Pension increase April 2018

Pensioner members of final salary categories will have a pension increase of **3.9%** which will apply at 1 April 2018. This is the change in the Retail Prices Index (RPI) for the 12 months up to 30 September 2017. Members who have been retired for less than a year on 1 April 2018 will receive a proportion of this increase.

Before April 2016, the scheme was contracted out, which meant that you and E.ON (or any predecessor employer) paid a lower rate of National Insurance and the scheme had to ensure that your pension met a minimum level set by the Government.

For contracted 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 your GMP age – which is different to your State Pension age and is set at 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 as follows:

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. Once you reach State Pension age, 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 –

Once you reach State Pension age, 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 reach your State Pension age on or after 6 April 2016**, when a new State Pension system was introduced.

This is a Government change to the State Pension system and there is no change to the scheme rules.



State Pensions

State Pensions increase on 6 April 2018. The basic State Pension will increase by **3%**, which is in line with CPI inflation. The full weekly basic State Pension will increase from **£122.30** to **£125.95**. The increase to the additional element of the State Pension will also be 3% in line with CPI inflation.

2017
£122.30

2018
£125.95

Individuals who reach State Pension age on or after 6 April 2016 will be entitled to the new single-tier State Pension. The exact amount you will receive depends on your individual circumstances. There will be some reduction (as there was under the old State Pension rules) to reflect periods when you have been contracted out and paid a lower rate of National Insurance. The new State Pension will increase by 3% on 6 April 2018.

RPMI EPAL will, as usual, send out your pension increase statement giving a breakdown of the increase applicable to your scheme pension.

Find out more

The scheme website can be found at:

www.eon-uk.com/pensions

Both the username and password are **eonukpensions**. There is generic scheme information rather than individual membership data.

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

RPMI EPAL contact details are:

RPMI EPAL
Unit 2, Rye Hill Office Park
Birmingham Road
Coventry
CV5 9AB

Email: **enquiries@rpmico.uk**

Telephone: **0247 6472 541**

If you have a question for the trustees, you can email **pensions.feedback@eon-uk.com**.

If you don't have access to email, please write to RPMI EPAL and your letter will be passed on.