

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 October 2020 edition of your In Touch newsletter for members of the defined contribution categories. In this edition, we provide a summary of the financial statements for the year ended 31 March 2020 and an update on the investment performance of the defined contribution funds.

We also highlight a few of the key things you should think about before deciding how to invest your account, as well as a reminder of your flexible retirement options following the introduction of pension freedoms in April 2015 for members of defined contribution arrangements.

Following the Coronavirus (COVID-19) outbreak earlier this year, the Trustees wrote to all members in April 2020 to provide reassurance on certain key operational aspects of the scheme such as the payment of pensions. The Trustees have continued to monitor the consequences of the pandemic and I would like to take this opportunity to provide members with further reassurance that it remains business as usual as far as the scheme is concerned. I would also remind members that the threat of pension fraud (or 'scams') remains at a high level and further information on the warning signs to look out for can be found on page 14.

If you have any feedback or questions on the content of this newsletter please let us know using the contact details on the back page.

Martine Trouard-Riolle



Fund selection - making your choice

For every member of the defined contribution categories, choosing your funds is one of the most important decisions you need to make. These fund choices should be reviewed regularly.

The benefit statement that you receive each year from us is an important document. It provides information about your prospective benefits from the scheme and can help you plan ahead for your retirement.

It includes projections of your benefits, known as 'Statutory Money Purchase Illustrations'. These are designed to show what your pension might be worth in today's terms if you continue to pay contributions at the current rate.

Your investment choices now will determine the amount of money you will have to buy your benefits when you come to retire. When deciding how to invest your account, you should consider:

- Your **age** and **how long** you have before you plan to retire;
- Your personal **attitude to risk and investment**; and
- The different **types of investment** available.

You are able to access your benefits from age 55 (or potentially earlier if you are suffering from ill health). Your options are:

- You don't have to do anything with your pension pot straight away. You can leave it invested until you are ready to take your benefits.
- Take up to 25% of your pension pot as a tax-free cash sum and use the rest to buy a pension payable for your life (also known as an annuity).
- You can take all your pension pot as a cash lump sum; 25% is tax-free with the remainder taxed as income.
- You can take cash sums as you need them and leave the rest of your pension pot invested. Each lump sum will be 25% tax-free, with the balance being taxed as income.
- You can designate some or all of your pension pot to be for 'flexi-access drawdown'. 25% of the amount you allocate for drawdown can be taken as a tax-free cash sum and the rest stays invested. You can then draw taxable income from this pot of money.
- You can do a mixture of these options.
- Remember your pensions, from all sources, are to provide for you throughout your retirement. The earlier you take your benefits, the longer the money has to last.

In order to take advantage of any of these options, apart from leaving your pension pot invested or taking the whole of your pension pot as a lump sum, you will need to move your pension pot to an external arrangement which offers your preferred option(s). RPMI can give you more information on transferring.

Making an investment choice involves selecting one or more funds that match your attitude to the risks and rewards of investing.

'Risk' has a particular meaning in the investment context. The more risk you are prepared to take, the greater the potential return – and the greater the potential for loss of capital.

- **Equities (shares in individual companies)** carry a higher degree of risk, which could affect the value of your investment
- **Bonds** are usually seen as low to medium risk
- **Cash investments** are regarded as low risk
- **Property funds** are generally classed as medium risk

An explanation of the main asset classes is set out on the next page.

Equities

Equities (or company shares) are bought and sold on the stock market. The growth from investing in equities comes from increases in the value of shares together with any dividends paid. Changes in currency exchange rates can also have a significant impact, both positive and negative, on returns for overseas equities. Equities are classed as higher risk as their value can go up or down over shorter periods, sometimes dramatically, so equities are considered less suitable for short-term investment.

Bonds

Bonds are loans to a company or government (loans to the UK Government are called gilts). The company or government will pay a fixed rate of interest on the loan and repay the full amount at the end of a set period. Historically, bonds have achieved lower long-term returns than equities but greater returns than cash. Bonds can also fluctuate in price, but generally less than equities.

Cash

Cash, in investment terms, is not just putting money on deposit but also using a range of other financial instruments. These funds do not generally offer a set rate of interest. These funds are very secure but unlikely to provide investment returns as high as other investments over the longer term. As a result of the low interest rate environment, the returns on cash funds have been very low, or negative, after charges. This is likely to continue whilst interest rates remain low. If you are invested in one of these funds, you should be aware that their value is unlikely to keep pace with inflation in these conditions. Such funds are therefore unlikely to be a suitable long-term investment.

Property

Property involves investing in business premises, such as office blocks, shopping centres and industrial units or in the shares of property companies, such as builders and commercial landlords.



You should always remember that past performance is not a guide to the future.

EGPS category

If you are a member of the EGPS category of the scheme, you can choose to invest your account in the following funds offered by Aegon:

Year ended 31 March 2020

Fund Name	Asset Type	Fund Return %	Benchmark Return %	AMC*
BlackRock 70/30 Global Growth	Global equity	-9.1	-14.8	0.75%
BlackRock Balanced Growth	Mixed	-5.7	-9.9	0.75%
BlackRock Pre-Retirement	Long-dated gilts	8.6	8.3	0.50%
BlackRock Cash	Money market	0.8	0.5	0.30%
Legal & General Global Equity (50:50) Index	Global equity (including UK)	-12.2	-12.4	0.25%
Legal & General Global Multi-Asset (formerly Consensus)	Mixed	-5.3	-8.2	0.25%
BlackRock Long Gilt	Gilts	17.6	17.6	0.15%
BlackRock Diversified Growth	Mixed	-3.2	4.2	0.65%

Source: Aegon. Performance shown is gross of charges.

*Annual Management Charge (AMC). Every investment fund carries an AMC to cover the running costs. The AMC applies per year to the total value of your investments in that fund.

Members of the EGPS category should note that BlackRock's defined contribution pension policies transferred to Scottish Equitable plc with effect from 1 July 2018. Scottish Equitable is part of the Aegon NV group, a multinational life insurance, pensions and investment company and Aegon is the brand name of Scottish Equitable. Members of this category will therefore receive annual fund statements featuring the Aegon branding in future. BlackRock will remain as investment manager of the funds offered to members (other than those managed by Legal & General).

MEPS category

If you are a member of the MEPS category of the scheme, you can choose to invest your account in the following funds offered by Prudential:

Year ended 31 March 2020

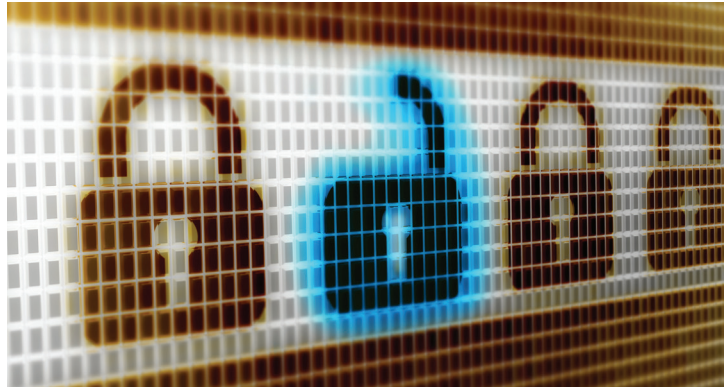
Fund Name	Asset Type	Fund Return %	Benchmark Return %	AMC*
International Equity	Global equity (excluding UK)	-12.8	-7.2	0.75%
UK Equity	UK equity	-20.0	-18.5	0.75%
Discretionary	Mixed	-10.5	-7.4	0.75%
Fixed Interest	Gilts and bonds	10.3	9.9	0.75%
Index-linked	Index-linked gilts	2.3	2.4	0.75%
UK Property	Commercial property	-0.8	0.0	0.75%
Cash	Money market	0.8	0.5	0.75%
BlackRock Aquila UK Equity Index	UK equity	-22.6	-18.5	0.75%
BlackRock Aquila World ex UK Index	Global equity (excluding UK)	-8.0	-5.1	0.75%
BlackRock Aquila Consensus	Mixed	-7.7	-5.3	0.75%
BlackRock Aquila Over 15 years UK Gilt Index	Gilts	18.3	17.6	0.75%

Source: Prudential. Performance shown is gross of charges.

*Annual Management Charge (AMC). Every investment fund carries an AMC to cover the running costs. The AMC applies per year to the total value of your investments in that fund.

Market impact of COVID-19

The COVID-19 virus had a substantial effect on global investment markets during the first quarter of 2020, resulting in many of the funds offered under the scheme providing negative returns for the year ended 31 March 2020. However, markets recovered again during the second quarter of 2020. These fluctuations in short-term returns are a normal part of long-term investing and it is important to retain a long-term perspective with pension savings.



Chair's Statement on Defined Contribution Governance

Trustee boards running defined contribution arrangements are required to include an annual statement signed by the Chair in their Report & Financial Statements setting out how their scheme meets the governance standards set by the Pensions Regulator. This includes an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for members. Having undertaken an assessment of the defined contribution categories for the year ended 31 March 2020, the Trustees have concluded that the costs and charges represent good value for members. You can read the latest Chair's Statement in full on pages 17 to 27 of the Annual Report & Financial Statements, which is available on request from RPMI (see back page for contact details). It is also available online at rpmico.uk/about/esps-members.

Security of Assets

As part of their regular monitoring of the defined contribution arrangements, the Trustees assess the security of the assets held with the providers, Aegon and Prudential, and the underlying investment managers. There were no areas of concern or issues for further investigation arising from the most recent review carried out by the Trustees' advisers, Aon Hewitt Limited.

Changing your investment choice

If you require further information on the funds available or wish to change your fund choice, please contact RPMI, which administers the scheme. RPMI's contact details can be found on the back page.

The importance of the different types of risk can change over time. Whatever decision you make about your fund choice should not be regarded as a 'once and for all' decision, and you should review your investment decisions regularly to check that your strategy is still appropriate – especially if you decide to change your planned retirement date, the format in which you expect to take your benefits, or if you are nearing retirement.

The Trustees would urge members to consider obtaining independent financial

advice before making any changes to the way in which their accounts are invested.

Under the Financial Services and Markets Act 2000, neither the Trustees nor staff at RPMI are able to advise members about their investment choice.

If you require advice, you should speak to an Independent Financial Adviser. If you do not already use a financial adviser, you can contact IFA Promotions, which will provide details of an Independent Financial Adviser local to you.

Address: IFA Promotions Ltd, 17-19 Emery Road, Brislington, Bristol, BS4 5PF

Tel: 0117 971 1177 **Fax:** 0117 972 4509

Email: info@inchbrookmail.co.uk

Web: unbiased.co.uk

Pension Wise: Your money. Your choice

Pension Wise is the Government-backed pension guidance service offering free and impartial information and guidance to people with a defined contribution pension pot who are over age 50. You will be provided with details of how to access this service when you receive details of the options available to you shortly before your retirement. You can visit the website pensionwise.gov.uk to find out more. This service is designed to provide guidance on the options available at retirement; if you require advice on how to invest your account, then you should contact a regulated financial adviser.

Summary of Financial Statements

The following is a summary of the audited financial statements for the year ended 31 March 2020.

Defined contribution section

Changes in the fund value	£ million
Fund value at 31 March 2019	11.5
Net cash flow	(0.3)
Change in market value of investments	(0.8)
Fund value at 31 March 2020	10.4

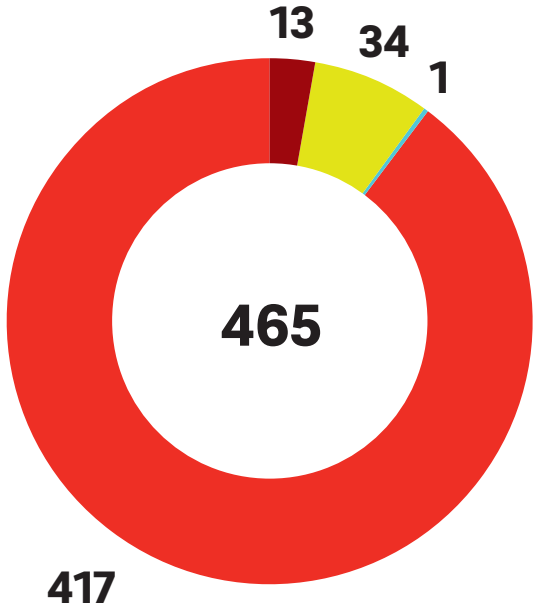
Financial statements for the scheme as a whole

The scheme is made up of a larger defined benefit section as well as the defined contribution section. These are the consolidated figures.

Financial statements for the Group	£ million
Fund value at 31 March 2019	4,628.4
Money coming in	283.5
Money paid out	(289.3)
Change in market value of investments	156.8
Fund value at 31 March 2020	4,779.4

Membership statistics at 31 March 2020

Defined contribution categories



- Contributing members
- Annuities purchased in the name of the Trustee
- Dependants
- Deferred pensioners

The Trustees

There are 10 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

Sarah Leavesley

Graeme Thompson

Member-Nominated

Mike Andrews**

Chris Brown**

Ant Donaldson

Derek Evans**

Adrian Harris**

* 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.

John Harding left the Company and Trustee Board with effect from 30 June 2020 and was replaced as an Appointed Trustee by Sara Leavesley. The Trustees would like to thank John for his significant contribution to the Board since his appointment in 2009 and would also like to welcome Sara to the Board.



Martine
Trouard-Riolle



Mike
Andrews



Stefan
Brenk



Ant
Donaldson



Graeme
Thompson



Sara
Leavesley



Adrian
Harris



Chris
Brown



Derek
Evans



Keith
Plowman

Trustee sub-committees

The Trustee Board is ultimately responsible for all decisions made but has delegated some of its work to committees.

- The **Investment Committee** gives detailed consideration to certain investment matters and has delegated authority to make investment decisions within risk parameters defined by the Trustee Board. The members of the Committee are Martine Trouard-Riolle (Chair), Mike Andrews, Stefan Brenk, Ant Donaldson and Keith Plowman. Manpreet Rattan (E.ON SE Portfolio Management team) is also a member of the Committee by invitation of the Trustees. Keith Plowman has replaced Graeme Thompson, who is now Chair of the Audit Committee. The Trustees would like to thank Graeme for his significant contribution to the Investment Committee.
- The **Audit Committee** is responsible for oversight of the scheme's internal controls, risk management, accounting processes and the preparation of the annual report and financial statements. The members of the Committee are Graeme Thompson and Adrian Harris. Gary Burmiston (Head of International Audit, E.ON) is also a member of the Committee by invitation of the Trustees.
- The **Determinations Committee** is responsible for determining the recipients of benefits payable under discretionary trust and for considering and responding to complaints under the Internal Dispute Resolution Procedure. The members of the Committee are Adrian Harris (Chair), Chris Brown, Derek Evans and Sara Leavesley.

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

Electricity Supply Pension Scheme - AGM

The ESPS holds an Annual General Meeting for members which relates to the Scheme as a whole and does not cover any business specific to the individual Groups of the ESPS.

The purpose of the AGM is to receive the Annual Report and Financial Statements and the Auditors' Report, receive the report of the ESPS Trustee, and conduct any general business. This year's AGM will be held on Monday 23 November 2020, starting at 1pm. Originally, the AGM was to be held at the offices of Eversheds Sutherland, One Wood Street, London, EC2V 7WS. However, due to the Covid-19 situation, the decision has been made that members will instead be given the option of attending 'virtually' using electronic meeting software, and this may well be the only option for member attendance. Further clarification on the meeting arrangements will be available from RPMI nearer to the date of the meeting. Please also contact RPMI for an agenda and details of any resolutions.

Beware of pension scams

Members are reminded of what to look out for to avoid becoming a victim of a pension scam:

- 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](https://www.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](https://www.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 also get a huge tax bill.

You can call the Pensions Advisory Service on **0800 011 3797** if you have any doubts.

Retirement Planning and the State Pension

The Government has launched a new website to bring together a number of activities around retirement and financial wellbeing, and which links directly to useful tools such as the Government's State Pension forecaster and the Money Advice Service's pension calculator. You can also get your own retirement checklist by answering a few simple questions. To find out more, go to yourpension.gov.uk

Find out more

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

RPMI's contact details are:

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

Email: enquiries@rpm.co.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 and your letter will be passed on.

New pensions body launched

A new single financial guidance body was set up to replace the Money Advice Service, Pensions Advisory Service and Pension Wise.

The new advice body is intended to improve money and pensions guidance across the UK.

Called the Money and Pensions Service, the body will provide free and impartial guidance around pensions and monetary issues - see moneyandpensionservice.org.uk