

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

In touch

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Chair's message



Welcome to the November 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 a summary of the financial statements for the year ended 31 March 2023, as well as an update on how the Scheme's assets are invested and how they've performed. We are also pleased

to confirm the outcome of the Member-Nominated Trustee selection process that was carried out earlier this year.

To learn more information about the Scheme, visit your member website **myeonpension.com**. I would also remind members that the threat of pension fraud, or 'scams', remains at a high level. Further information on the warning signs to look out for can be found on page 14.

Martine Trouard-Riolle

2023 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 Mike Andrews, Chris Brown and Derek Evans expired on 30 June 2023. Following a recent review of Scheme governance, the Trustees agreed that the Board would be reduced to 8 Trustees from 1 July 2023. Four are nominated by the members and four are chosen by the sponsoring company, E.ON UK plc. This meant that for this selection process, there were two vacancies for MNTs.

Candidates were assessed on their suitability for the role by a selection panel set up by the Trustees. This consisted of the Chair of the Trustee Board, an existing Member-Nominated Trustee on the Board and the Trustees' legal adviser.

The panel selected Steve Millward, a pensioner member of the Scheme, and re-selected Mike Andrews to join the Trustee Board, taking effect from 1 July 2023 for a six-year term of office. The Trustees are delighted to welcome Steve to the Board and to continue working with Mike. The Trustees would like to thank all candidates for their interest in the role and for taking part in the selection process.



Mike Andrews

Mike has served as a Trustee since 2018 and between 1998 and 2016. He was Group Treasurer of Eastern Electricity for 11 years until his retirement in 2000.



Steve Millward

Steve worked in the industry for nearly 20 years, leaving E.ON as Head of Service Delivery for Customers in 2003. He currently works as an Executive Director at the Centre for Environment Fisheries and Aquaculture Science.

As mentioned above, the Board now consists of eight Trustees. Four are appointed by E.ON UK plc and four are nominated by the members.

Appointed



Martine
Trouard-Riolle
- Chair*



Keith
Plowman
- Deputy Chair**



Stefan
Brenk



Sara
Leavesley

Member-Nominated



Mike
Andrews**



Adrian
Harris**



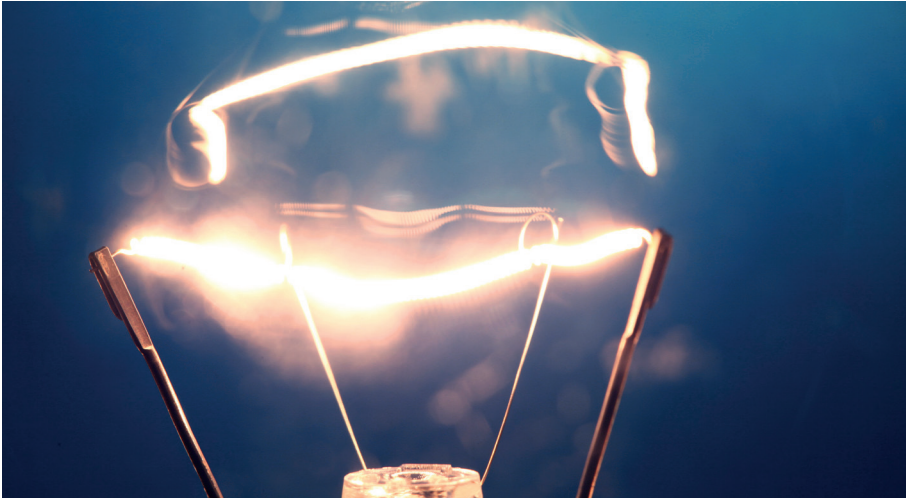
Gary
Marsh**



Steve
Millward**

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

Graeme Thompson left the Trustee Board with effect from 30 June 2023. The Trustees would like to thank Graeme for his significant contribution to the Board and its sub-committees since his appointment in 2017.



Electricity Supply Pension Scheme - AGM

The ESPS holds an Annual General Meeting (AGM) 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, the Auditor's Report, the report of the ESPS Trustee, and to conduct any general business. This year's AGM will be held on **Tuesday 21 November 2023**, starting at 1pm. To allow as much flexibility for members to join the meeting as possible it will be held virtually using electronic meeting software. Details of how to register for the meeting, along with certain other Scheme AGM information, will be available on the ESPS website (espspensions.co.uk) in due course.

Financial summary

Highlights from the Report & Financial Statements for the year ended 31 March 2023

£3.3
billion

The total value of the Scheme's net assets

22,303

The number of members across the Scheme

£1.38 billion

The decrease in the value of the Scheme's net assets since 31 March 2022.

£1.26 billion

Estimated decrease in the value of the Scheme's liabilities since 31 March 2022.

£31 million

The amount paid into the Scheme by the Company during the year.

This includes £3.8 million of member contributions paid by the Company under salary sacrifice arrangements.

£201 million

The value of benefits paid out to members during the year.

£5.6 million

The value of transfers out during the year.



Membership statistics at 31 March 2023:

941

Contributing members

3,710

Dependants

11,549

Pensioners

6,103

Deferred pensioners

The Scheme's financial statements have been audited by PricewaterhouseCoopers LLP, which has confirmed that they show a true and fair view of the financial transactions during the 12 months to 31 March 2023, and that contributions were paid to the Scheme as set out in the Schedule of Contributions in force during the period.

Scheme Assets

The Scheme's investment strategy is to hold a diversified range of asset classes aiming to achieve steady growth at relatively low risk. This includes a significant holding in a Liability-Driven Investment (LDI) fund.

The aim of an LDI strategy is to make the Scheme's assets move in line with the value of its liabilities as interest rates and inflation change. The intention of holding assets in an LDI strategy is to hedge the Scheme's interest rate and inflation risks in the pension liabilities. In doing so, the Scheme's funding ratio is largely protected from volatility arising from changes in the liability valuation.

The LDI fund, which the Scheme invests in, includes holdings of liability-matching bonds such as UK Government Bonds (Gilts) and index-linked Gilts. This is because their contractual cash flows mirror the benefits that the Scheme pays to its pensioners.

The 2022/23 financial year saw steep increases in short term interest rates, as leading central banks sought to combat above-target inflation. Gilt prices fell sharply as yields rose to reflect the higher expected trajectory of short-term interest rates. The 30-year nominal UK Gilt yield rose from 1.8% at the start of the year, to 5.0% in late September 2022. These yield moves equated to substantial falls in Gilt prices.

Following intervention by the Bank of England, the market stabilised, with the 30-year yield ending the financial year at 3.8%. However, even after this recovery, the longest dated index-linked Gilts had experienced price declines of over 50% for the financial year.

As a consequence of these market movements, the value of the Scheme's assets was significantly lower compared with what it was a year ago. The overall performance of the Group's assets for the year ended 31 March 2023 was -26.0%. The overall annualised return on the Group's assets in the past three Group years was -8.1%.

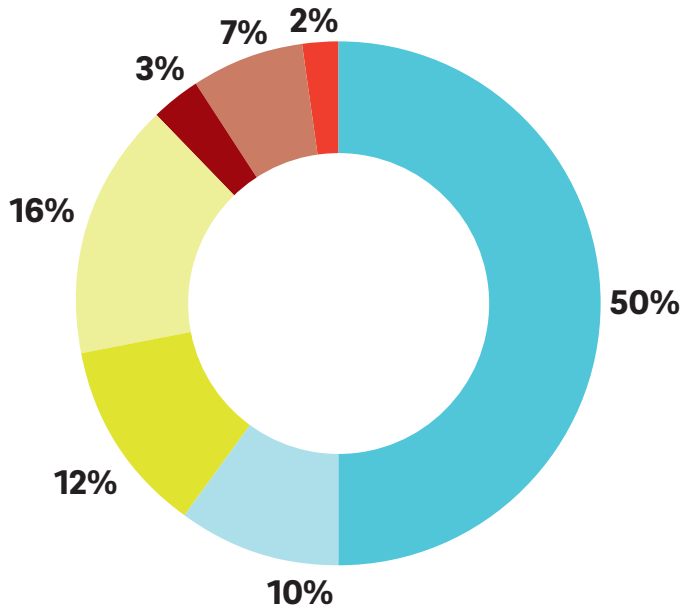
With falls across all major asset classes, it was an extremely difficult year for investors. Continual supply disruptions from Covid-19, combined with political upheaval, in the UK and globally with the war in Ukraine, contributed to inflationary pressures. This also created volatility in financial markets, and rising interest rates as mentioned above - all of which led to the value of the Scheme's investments falling in the year. However, rising interest rates also reduced the value of the Scheme's liabilities, which fell by approximately 25% in the period. Despite the significant volatility experienced in investment markets, the overall strategy performed broadly as intended as the reduction in net assets of 26% was largely offset by a reduction in the value of the liabilities of 25%.

Year ended 31 March 2023

Asset Class	£ million
Matching assets	
Liability-Driven Investments Assets	1,632.7
Return seeking assets	
Credit (Bonds)	323.0
Equities	385.6
Multi-Strategy & Macro-Oriented	546.6
Diversified Growth	101.7
Niche Assets/Private Equity	225.8
Other Hedging Assets	2.0
Other*	77.4
Total**	3,294.8

* Liquidity fund holding, Additional Voluntary Contributions assets, cash balances and accruals.

** Total excludes DB working capital.



- Liability hedging assets - 50%
- Credit (Bonds) - 10%
- Equities - 12%
- Multi-strategy & Macro-oriented - 16%
- Diversified Growth - 3%
- Niche assets/Private Equity - 7%
- Other* - 2%

*Includes property, other hedging assets, liquidity fund holdings, Additional Voluntary Contributions assets, cash balances and accruals.

New regulations on climate change governance

New regulations on climate change governance and reporting requirements came into force on 1 October 2021. These were based on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

The process of carrying out TCFD reporting is intended to lead to better-informed decision-making on climate risks, and improved transparency to improve accountability.

The report requires disclosure reporting across each of the four TCFD pillars, which are:

- **governance**
- **strategy**
- **risk management**
- **metrics and targets**

The Electricity Supply Pension Scheme reports are available online. Read the Scheme reports at [espspensions.co.uk/#useful-documentation](https://www.espspensions.co.uk/#useful-documentation).

Make sure your contact details are up to date

It's important that your contact details are correct, otherwise you may not receive important updates from us about your pension. The easiest way to update your details, plan for your future and manage your pension is by logging into or registering for your secure myESPS online account at [myeonpension.com](https://www.myeonpension.com).

In your online account, you can:

- Update your personal details, such as your home address, email address, and phone number
- Update your Nomination form
- View payslips and other pension documents such as your annual benefit statement
- See your estimated benefits at your normal pension age

Is your retirement income on track? Find out how much you'll need for life after work

Use the Lifestyle Calculator to work out what income you might need

You can use the Lifestyle Calculator in the Help section of your website, myeonpension.com, to help you estimate how much you may need in retirement.

The **Lifestyle Calculator** takes into account the **Retirement Living Standards** from the Pensions and Lifetime Savings Association (PLSA). This allows you to tailor the costs to your own circumstances, to see how much income you might need to afford the lifestyle you want when you retire.

The **Retirement Living Standards** are based on independent research by the Centre for Research in Social Policy at Loughborough University.

They describe the cost of three different baskets of goods and services. These baskets comprise six categories: household bills, food and drink, transport, holidays and leisure, clothing and social and cultural participation.

Visit myeonpension.com/help/calculator today to use the calculator and get a personal target to aim for.

Track your progress

Once you know the income you need to aim for, you can log in to your myESPS account and check your benefits to find out if you're on track.

You can request an estimate of your retirement benefits to see what you're forecasted to receive from your Scheme pension.

 SINGLES	RETIREMENT LIVING STANDARDS <small>(figures shown are roughly what you might need per year)</small>	 COUPLES
£37,300	COMFORTABLE More financial freedom and luxuries	£54,500
£23,300	MODERATE More financial security and flexibility	£34,000
£12,800	MINIMUM Covers your basic needs, with some left over for extras	£19,900

In the latest inflation update of the Pensions and Lifetime Savings Association's Retirement Living Standards, people on the Minimum lifestyle have seen the biggest percentage increase to the cost of their retirement, owing to the higher proportion of their budget going towards the things that have risen the most in price: food and energy.

The cost of a **Minimum** lifestyle increased from £10,900 to £12,800 - or 18% - for a single person and from £16,700 to £19,900 - or 19% - for a couple.

The **Moderate** level increased by 12% to £23,300 for a single retiree and by 11% to £34,000, for a couple. The Moderate Retirement Living Standard, in addition to the Minimum lifestyle, provides more financial security and flexibility.

At the **Comfortable** Retirement Living Standard, retirees can expect to have more luxuries like regular beauty treatments, theatre trips and three weeks holiday in Europe a year. At this level, the cost of living increased 11% to £37,300 for one person and 10% to £54,500 for a two-person household.



Where to find extra support

MoneyHelper - offers free, impartial advice on finances and pensions for people across the UK. With helpful guides, tools and calculators, it can help you to take control of your money. Visit [moneyhelper.org.uk](https://www.moneyhelper.org.uk).

Government website - provides helpful information on income, tax discounts, childcare, managing your money, disability benefits and more. Visit [Gov.uk/cost-of-living](https://www.gov.uk/cost-of-living).

Citizen's Advice - gives you information on grants and benefits to help you pay your energy bills.

Age UK - Benefits Calculator - a free tool that can help you find out what benefits you could be owed.

Age UK - Friendship Services - by telephone or face-to-face, Age UK offer these services to try to combat loneliness in later life.

Take care of your nearest and dearest - nominate today

Nominating beneficiaries is one of the most important things you can do to ensure that you and those closest to your heart get the most out of your pension.

No one enjoys thinking about death, but by making a nomination, this will let the Trustee know who you'd like your lump sum death benefit to be paid to. This could potentially help speed up the decision-making process, and spare extra stress and financial hardship for those you care about when you die.

Why is it so important?

If you die before you claim your ESPS pension, a lump sum may be payable to your nominee(s). If you die without completing a Nomination form, the payment could be delayed, it might go to the wrong person or charity, or it could be taxed. Making a nomination can help prevent uncertainty and ensure your beneficiary is taken care of.

Who can I nominate?

A nominee can be a your spouse, partner, a family member or several people. You can nominate a charity, an organisation or a great cause that you care about.

How do I make a Nomination?

Nominating is easy. Simply log in to your myESPS account, select 'My Nominations' and follow the simple steps. Alternatively, you can complete and return the Nomination form found under the 'Resources' tab and send it to enquiries@railpen.com.





Stay alert for scams

Any of us can fall prey to a scam.

Watch out for the following tell-tale signs:

Out-of-the-blue contact/offers

Cold calling about pensions is illegal. If you're contacted by phone or text, report it to Action Fraud.

Time-sensitive opportunities

Too-good-to-be-true deals which are available only for a short timeslot.

Offers to help release your pension before age 55

Claims of allowing you to access your pension before age 55 are likely to be scams.

Requesting personal information

Never give personal information to an unsolicited contact.

Always be wary and think twice if you suspect foul play. Report anything suspicious by calling:

- Action Fraud on **0300 123 2040**
- Advice Direct if you're in Scotland on **0808 164 6000**

Contact us

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**

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 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**.