

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 September 2022 edition of your In touch newsletter, in which we bring you the latest news from the E.ON UK Group of the ESPS.**

Every three years, a full actuarial valuation of the Scheme is carried out to assess its financial health, and the Trustees' key focus over recent months has been the actuarial valuation due as at 31 March 2021. I am delighted to confirm that this valuation has been completed and we provide a summary of the results in this edition.

The terms of office of two of the current Member-Nominated Trustees, or MNTs, are due to end later this year. Details of the process involved in selecting two MNTs and how to apply, if you are interested in becoming an MNT, are set out on pages 7 to 12.

This edition also includes a summary of the financial statements for the year ended 31 March 2022, as well as an update on how the Scheme's assets are invested and how they've performed.

Finally, I would remind members that further information on your Scheme can be found on the member website we launched last year – **[myeonpension.com](https://myeonpension.com)**. 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 16.

Martine Trouard-Riolle

# Actuarial valuation 2021



**The Trustees are pleased to confirm that the actuarial valuation due as at 31 March 2021 has been completed.**

This showed a funding surplus as at 31 March 2021 of £22 million, based on assumptions agreed between the Trustees and the Scheme's sponsoring employer, E.ON UK. This compares with a funding deficit of £502 million at the previous valuation, which was on 31 March 2018. The improvement in the funding position in the intervening period is due primarily to a combination of:

- investment returns being higher than assumed
- the payment of a significant deficit repair contribution by the Company, and;
- a slow-down in expected improvements in life expectancy.

Through the Parent Company Guarantee (PCG) implemented in 2016, E.ON SE guarantees the Scheme's liabilities to pay pensions if E.ON UK plc were to become insolvent, and any deficit repair payments that may become due should an actuarial valuation reveal a funding deficit. A reminder of the key aspects of the PCG is provided on page 3. The Trustees also have an agreement with the Company, established at the 2018 actuarial valuation and reviewable at each subsequent valuation, regarding the minimum amount of financial assets to be retained on its balance sheet.

Overall, the Trustees are confident that they have achieved an appropriate outcome from the valuation discussions with the Company and that the security of members' benefits is maintained as a result.

# 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.

# 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 actuarial valuation due as at 31 March 2021.

|  | <b>£ million</b> |
|--|------------------|
| Assets   | 4,878.4          |
| Amount needed to provide benefits (technical provisions) | 4,856.8          |
| Surplus  | 21.6             |
| Funding level  | 100.4%           |

As the valuation revealed a funding surplus, there are no deficit repair contributions payable by E.ON UK. However, from 1 September 2022, E.ON UK will be paying contributions of 42.5% of members' pensionable salaries for members of the final salary categories and 24% 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 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.

# 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 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 simplicity the term 'Trustees' has been used instead of the more accurate term 'Directors of E.ON UK Trustees Limited'. The Trustee Board has 10 Trustees. Five are appointed by the Principal Employer, E.ON UK plc, and five are nominated by the members.

## 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, act in the best interests of the beneficiaries and act impartially towards all beneficiaries.

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

## MNT criteria

There are 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 to the right. All applications will be considered by a selection panel on their individual merits. Further information on the selection process is also provided on page 11.

## 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
- knowledge and experience in at least one and preferably more of the following:
  - investment
  - finance
  - human resources
  - communications
  - customer service
  - negotiation and mediation
  - administration, IT and business process skills
  - governance
  - law

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 pensions administration.

## **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 three sub-committees which meet regularly – an Investment Committee, Audit Committee and Determinations Committee – and each Trustee would normally expect to be on at least one, or usually 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 **30 September 2022**. 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 **30 September 2022**.
- 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 thinks it is 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 the period of **17 October to 4 November 2022** in E.ON's Coventry office. 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 four-year term of office commencing from the first Board meeting held after 1 December 2022 and ending in November 2026. 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 30 September 2022.**

# Financial summary

Highlights from the Report & Financial Statements for the year ended 31 March 2022

**£4.68**  
billion

The total value of the Scheme's net assets

**£210 million**

The decrease in the value of the Scheme's net assets since 31 March 2021

**£41 million**

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

This includes £4.1 million of member contributions met by the Company under salary sacrifice arrangements.

**£198 million**

The value of benefits paid out to members during the year

**£11 million**

The value of transfers out during the year

**22,908**

The number of members across the Scheme



**Membership statistics at 31 March 2022:**

**1,240**

Contributing members

**3,809**

Dependants

**11,667**

Pensioners

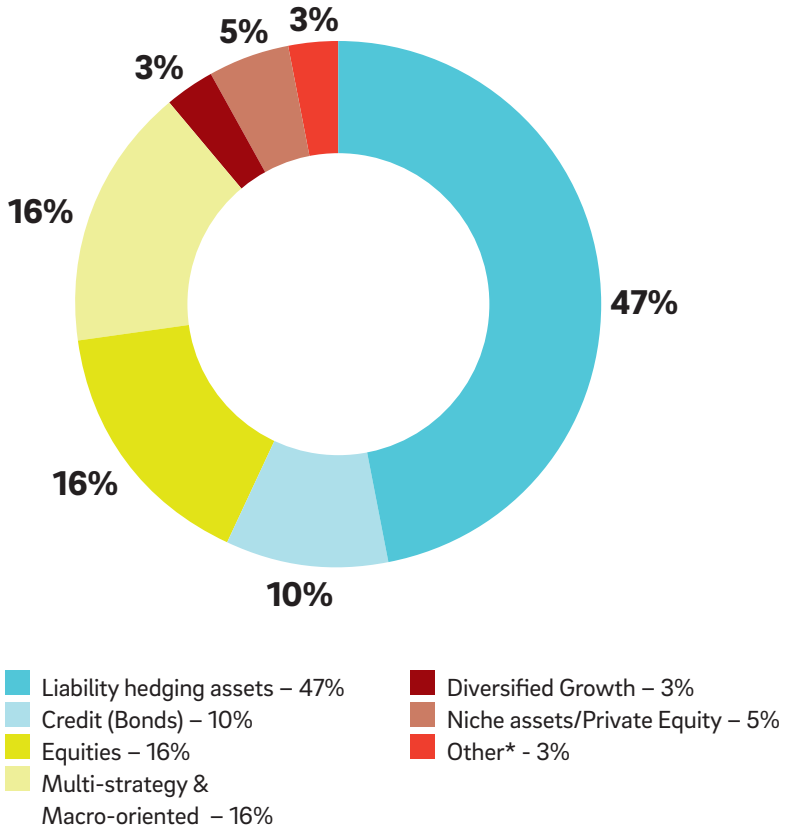
**6,192**

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 2022, 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. As at 31 March 2022, the Scheme's assets were comprised of the following:



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

Year ended 31 March 2022

| Asset Class                         | £ million      |
|-------------------------------------|----------------|
| <b>Matching assets</b>              |                |
| Liability-Driven Investments Assets | 2,219.3        |
| <b>Return seeking assets</b>        |                |
| Credit (Bonds)                      | 466.0          |
| Equities                            | 729.7          |
| Multi-Strategy & Macro-Oriented     | 768.5          |
| Diversified Growth                  | 162.7          |
| Niche Assets/Private Equity         | 232.1          |
| Other Hedging Assets                | (13.7)         |
| Other*                              | 108.4          |
| <b>Total**</b>                      | <b>4,673.0</b> |

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

\*\* Total excludes DB working capital.

## GMP equalisation

In 2019, we reported on the High Court's ruling that Guaranteed Minimum Pensions, or GMPs, must be equalised between men and women.

This is a complex area and we're continuing to work closely with our advisers to assess if and how members may be affected. Only members who were active members in one of the Scheme's final salary categories between 1990 and 1997 may be affected.

**It is not necessary for members to take any action at this point.**

Members who are affected will be contacted with more information when possible, but given the complex nature of this issue, GMP equalisation may take a considerable period of time to complete.

**Although some members may require an increase to their benefits as a result of GMP equalisation, such increases are likely to be small and many members will not be impacted at all. No members will have their benefits reduced.**





## 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 visit the MoneyHelper website on [moneyhelper.org.uk](https://www.moneyhelper.org.uk) or call their Pensions Helpline on **0800 011 3797**.

# New Government rules for pension transfers

## **New regulations aim to prevent pension scams during the transfer process.**

If you have preserved benefits under the E.ON UK Group of the Electricity Supply Pension Scheme, you have the option of transferring them to another scheme or provider. For instance, you may have changed employer or moved overseas and want to consolidate all of your pension savings in one place, or you may have opened a private pension.

However, transferring your pension carries significant risks. You are vulnerable to pension fraudsters and should carefully compare the benefits of your current pension with any alternatives before making a decision. Now, new laws introduced by the Department for Work and Pensions (DWP) have come into force which aim to protect you from pension transfer scams during this process.

## **What are the new rules?**

These new regulations now mean you may have to provide additional documentation before we can transfer your benefits to an alternative pension scheme or provider of your choice. It's important to remember these rules have been introduced to protect you and your pension benefits and not to cause any unnecessary delays.

The new regulations have introduced a system of amber and red flags. These flags help us identify any increased risk in your application which could be part of a scam. Trustees can refuse a transfer if conditions are not met satisfactorily. Amber flags will be prompted by a proposed transfer into risky investments; unclear or high charges in the receiving scheme; moving savings into an overseas pension; or many transfers into a particular scheme or involving a single adviser.

Red flags will be raised if financial advice is provided by unregulated individuals, if there has been unsolicited contact, like a cold caller, you have been offered incentives to transfer, or you were pressured to act quickly for a time-limited deal.

## **Why the regulations have changed**

The new regulations will help to protect you from pension fraudsters while transferring your pension. In some cases people have lost some or all of their pension savings during this process.

For instance, you may have been given advice by someone who does not have appropriate permissions from the Financial Conduct Authority (FCA) or asked for the transfer after someone made unsolicited contact with you. In 2020, the Pensions

Regulator reported that circa £30m in pension benefits had been lost to scammers in just 3 years.

### **How do the changes affect your transfer?**

Depending on the type of the scheme you want to transfer to, you may now need to provide additional evidence or information to help us work out whether any amber or red flags are present. In some cases, we might need to refer you to MoneyHelper for further support. MoneyHelper is a government-approved advice service, providing impartial advice on money and pensions.

In other instances, your application may be refused if it doesn't satisfy the regulatory conditions. However there

are some schemes, such as public sector pension schemes, where transfers can be approved straight away.

### **Things to think about before you transfer**

If you are thinking of transferring your benefits under the E.ON UK Group of the ESPS, you should make sure you have all of the information you need to make an informed decision.

You may benefit from independent financial advice, and in some circumstances, you may be required by law to take advice. You can see a list of useful organisations and services who offer advice in the Useful links section of [myeonpension.com](https://myeonpension.com).

# **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 and the Auditors' Report, receive the report of the ESPS Trustee, and conduct any general business. This year's AGM will be held on **Tuesday 22 November 2022**, starting at 1pm. Members will only be able to attend virtually using electronic meeting software. Details of how to register for the meeting will be available from Railpen, and on [espspensions.co.uk](https://espspensions.co.uk), nearer the date of the meeting.

# 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)**.