

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. 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.**

In particular, the trustee board has continued to focus on meeting the requirements of the Regulator's code of practice for defined contribution schemes which sets out the standards of conduct and practice that trustee boards are expected to meet to comply with their legal duties.

We held member meetings in May 2017 in Coventry and Ipswich. If you were unable to attend and would like to see what was presented, 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 the investment performance of the defined contribution funds.

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 take account of:

- 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). RPM I EPAL 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 much higher degree of risk, which could affect the value of your investment
- **Bonds** are usually seen as low to medium risk
- **Property funds** are generally classed as medium risk
- **Cash investments** are regarded as low 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 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.**

## 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, BlackRock and Prudential, and the underlying investment managers. There were no areas of concern or issues for further investigation arising from the review carried out in April 2017 by the trustees' advisers, Aon Hewitt Limited.

## 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 BlackRock:

### Year ended 31 March 2017

| Fund Name                                 | Asset Type                   | Fund Return % | Benchmark Return % | AMC*  |
|---|------------------------------|---------------|--------------------|-------|
| 70/30 Global Growth                       | Global equity                | 25.6          | 25.2               | 0.75% |
| Balanced Growth                           | Mixed                        | 21.5          | 21.4               | 0.75% |
| Pre-Retirement                            | Long-dated gilts             | 10.2          | 9.3                | 0.50% |
| Cash                                      | Money market                 | 0.5           | 0.2                | 0.30% |
| Legal & General Global Equity 50:50 Index | Global equity (including UK) | 27.4          | 27.1               | 0.25% |
| Legal & General Consensus                 | Mixed                        | 19.4          | 19.3               | 0.25% |
| Long Gilt                                 | Gilts                        | 12.3          | 12.3               | 0.15% |
| DC Diversified Growth**                   | Mixed                        | 4.0           | 3.8                | 0.65% |

**Source:** BlackRock. Performance shown is gross of charges

\*Annual Management Charge. 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.

\*\* This fund targets an investment return of 3.5% above the Bank of England official base rate.

## 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 2017

| Fund Name                                    | Asset Type                   | Fund Return % | Benchmark Return % | AMC*  |
|--|------------------------------|---------------|--------------------|-------|
| International Equity                         | Global equity (excluding UK) | 35.2          | 32.3               | 0.75% |
| UK Equity                                    | UK equity                    | 22.1          | 22.0               | 0.75% |
| Discretionary                                | Mixed                        | 26.1          | 17.9**             | 0.75% |
| Fixed Interest                               | Gilts and bonds              | 6.8           | 6.6                | 0.75% |
| Index-linked                                 | Index-linked gilts           | 22.5          | 22.0               | 0.75% |
| UK Property                                  | Commercial property          | -3.6          | 3.7                | 0.75% |
| Cash   | Money market                 | 0.3           | 0.2                | 0.75% |
| BlackRock Aquila UK Equity Index             | UK equity                    | 21.6          | 22.0               | 0.75% |
| BlackRock Aquila World ex UK Index           | Global equity (excluding UK) | 33.8          | 33.7               | 0.75% |
| BlackRock Aquila Consensus                   | Mixed                        | 22.1          | 21.8               | 0.75% |
| BlackRock Aquila 50:50 Global Equity Index   | Global equity (including UK) | 27.9          | 27.4               | 0.75% |
| BlackRock Aquila Over 15 years UK Gilt Index | Gilts                        | 13.8          | 12.3               | 0.75% |
| Schroders Diversified Growth Fund            | Mixed                        | 11.1          | 8.3                | 1.40% |

**Source:** Prudential. Performance shown is gross of charges

\*Annual Management Charge. 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.

\*\*This fund is now actively managed against an internal composite benchmark asset allocation set by the Prudential Portfolio Management Group. Its objective is to outperform this benchmark by 1.15%-1.40% a year (before charges) on a rolling three-year basis.

The trustees previously made available a 'lifestyle' option for members of the MEPS category. However, no members have chosen to invest in this option and it has therefore been withdrawn from the fund choice available.

# Changing your investment choice

If you require further information on the funds available or wish to change your fund choice, please contact RPMI EPAL, which administers the scheme. Their 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 decision 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 EPAL 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](mailto:info@inchbrookmail.co.uk)

**Web:** [www.unbiased.co.uk](http://www.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](http://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 2017.

## Defined contribution section

| <b>Money coming in</b>                 | <b>£ million</b> |
|--|------------------|
| Contributions from members and Company | 0.1              |
| <b>Total received</b>                  | <b>0.1</b>       |

| <b>Changes in the fund value</b>      | <b>£ million</b> |
|---------------------------------------|------------------|
| Fund value at 31 March 2016           | 9.4              |
| Net cash flow                         | 0.1              |
| Change in market value of investments | 2.0              |
| <b>Fund value at 31 March 2017</b>    | <b>11.5</b>      |

## 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.

| <b>Financial statements for the Group</b> | <b>£ million</b> |
|---|------------------|
| 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            |
| <b>Fund value at 31 March 2017</b>        | <b>4,594.9</b>   |

# 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

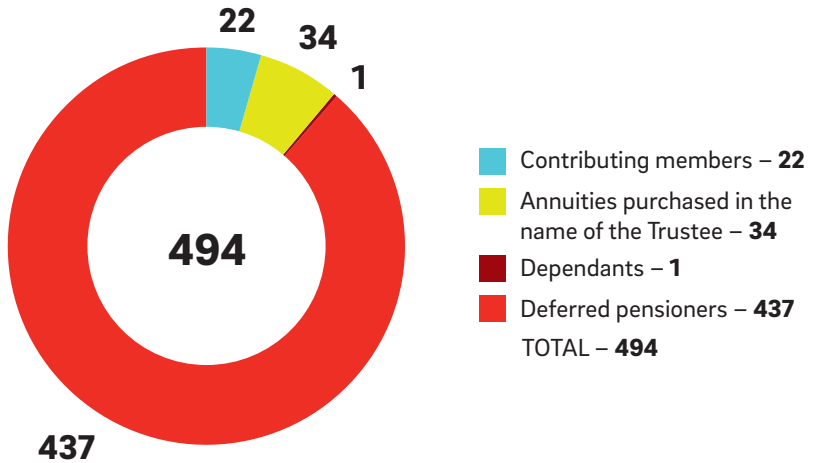


**Stefan studied Economics, Mathematics and History in Essen, Cologne and Edinburgh.**

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.

## Membership statistics at 31 March 2017

### Defined contribution categories



## Value for members

In accordance with the latest governance requirements applying to defined contribution arrangements, the trustees carry out an annual assessment of the 'Value for Members' provided by the scheme.

This assessment is carried out in conjunction with the trustees' independent advisers, Aon Hewitt Limited, and covers the four key areas of scheme management, administration standards, investment governance and

member communications, including an assessment of all member-borne costs and charges made for administration and investment services by the scheme's providers, BlackRock and Prudential.

The trustees are pleased to confirm that the conclusion of the latest assessment carried out in April 2017 was that the defined contribution arrangements offer good value for members.

## 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.

|   |                                   |
|---|-----------------------------------|
| <b>Actuary:</b>   | David Eteen of Aon Hewitt Limited |
| <b>Investment Adviser (Defined Benefit):</b>              | Cardano Risk Management B.V.      |
| <b>Investment Adviser (Defined Contribution and AVC):</b> | Aon Hewitt Limited                |
| <b>Principal Legal Adviser:</b>                           | DLA Piper LLP                     |
| <b>Independent Auditor:</b>                               | PricewaterhouseCoopers LLP        |
| <b>Sponsor Covenant Assessor:</b>                         | Lincoln Pensions                  |
| <b>Administrator:</b>                                     | RPMI EPAL                         |
| <b>Scheme Custodian:</b>                                  | 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](http://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](http://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](http://pension-scams.com). You can also call the Pensions Advisory Service on 0300 123 1047 if you have any doubts.

# Find out more

The scheme website can be found at:

**[www.eon-uk.com/pensions](http://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](mailto:enquiries@rpmico.uk)**

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 RPMI EPAL and your letter will be passed on.