

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

In touch

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Welcome from the Chair

Welcome to the December 2018 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 2018 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.

A key focus for us over the last few months has been the work carried out to establish readiness for the new General Data Protection Regulation. All members should have received a Privacy Notice in June 2018 setting out how the trustees use your personal data and what rights you now have in respect of this data. A copy of this Notice can be found on the Scheme website (see contact details on the back page).

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 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 straightaway. 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. However, they can be suitable for generating returns over the longer term.

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. The fund does not offer or set a 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.

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. 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 are able to advise members about their investment choice.

If you require advice, you should speak to an independent financial adviser (IFA). You can find a list of the IFAs in your postal area by visiting 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 will be able to book a free appointment that

will last around 45 to 60 minutes and which can be either over the phone or face to face somewhere local to you. 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.

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 2018

Fund Name	Asset Type	Fund Return %	Benchmark Return %	AMC*
70/30 Global Growth	Global equity	5.1	2.2	0.75%
Balanced Growth	Mixed	4.0	1.6	0.75%
DC Diversified Growth**	Mixed	4.8	3.8	0.65%
Pre-Retirement	Gilts and bonds	1.5	1.3	0.50%
Cash	Money market	0.3	0.2	0.30%
Legal & General Global Equity 50:50 Index	Global equity (including UK)	2.5	2.4	0.25%
Legal & General Consensus	Mixed	-0.1	0.8	0.25%
Long Gilt	Long-dated gilts	2.2	2.2	0.15%

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.

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 2018

Fund Name	Asset Type	Fund Return %	Benchmark Return %	AMC*
Schroders Diversified Growth Fund	Mixed	4.5	7.6	1.40%
International Equity	Global equity (excluding UK)	4.0	5.0	0.75%
UK Equity	UK equity	2.2	1.2	0.75%
Discretionary	Mixed	3.2	3.2	0.75%
Fixed Interest	Gilts and bonds	1.0	0.5	0.75%
Index-linked	Index-linked gilts	1.4	0.7	0.75%
UK Property	Commercial property	9.8	10.0	0.75%
Cash	Money market	0.3	0.2	0.75%
BlackRock Aquila UK Equity Index	UK equity	1.5	1.2	0.75%
BlackRock Aquila World ex UK Index	Global equity (excluding UK)	1.3	2.4	0.75%
BlackRock Aquila Consensus	Mixed	0.2	1.0	0.75%
BlackRock Aquila 50:50 Global Equity Index	Global equity (including UK)	1.6	2.5	0.75%
BlackRock Aquila Over 15 years UK Gilt Index	Gilts	0.2	2.2	0.75%

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.



Chair's Statement on Defined Contribution Governance

Trustee boards running defined contribution arrangements are now 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 2018, 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 20 of the Annual Report & Financial Statements, which is available on request from RPMI (see back page for contact details).

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 most recent review carried out by the trustees' advisers, Aon Hewitt Limited.

Summary of Financial Statements

The following is a summary of the audited financial statements for the year ended 31 March 2018.

Defined contribution section

Money coming in	£ million
Contributions from members and Company	0.1
Total received	0.1

Money paid out	£ million
Benefits and transfer values	0.6
Total paid out	0.6

Changes in the fund value	£ million
Fund value at 31 March 2017	11.5
Net cash flow	(0.5)
Change in market value of investments	0.3
Fund value at 31 March 2018	11.3

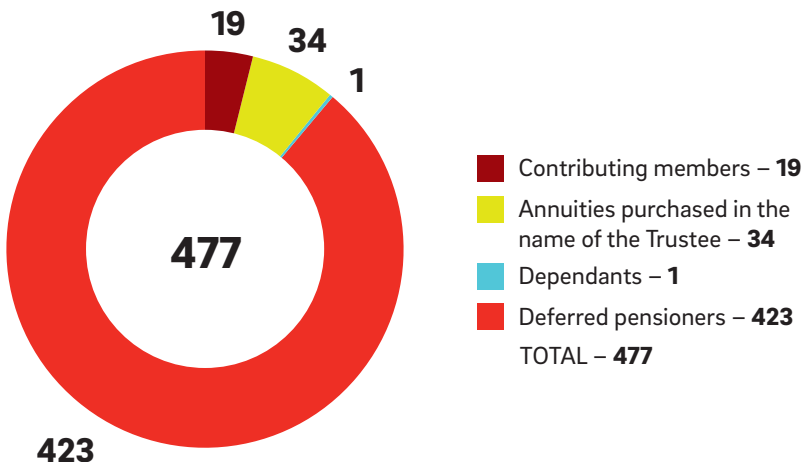
Financial statements for the scheme as a whole

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 2017	4,594.9
Money coming in	121.6
Money paid out	(249.7)
Change in market value of investments	33.3
Fund value at 31 March 2018	4,500.1

Membership statistics at 31 March 2018

Defined contribution categories



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 – Chairman*

Keith Plowman – Deputy Chairman **

Stefan Brenk

John Harding

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.

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



Martine
Trouard-Riolle



Mike
Andrews



Stefan
Brenk



Ant
Donaldson



Graeme
Thompson



John
Harding



Adrian
Harris



Chris
Brown



Derek
Evans



Keith
Plowman

Trustee sub-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 Graeme Thompson. Björn Siggemann (E.ON SE Pension Finance & Asset Strategy team) is also a member of the Committee by invitation of the Trustees.
- 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 John Harding (chair) 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 John Harding.

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 (formerly known as RPMI EPAL)
Scheme Custodian:	The Bank of New York Mellon

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
- 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 call the Pensions Advisory Service on **0300 123 1047** if you have any doubts.



Where can I get more information?

If you have any other questions, or would like any more information, please contact RPMI, the scheme administrator. Their contact details are on the back page.

You can also ask to see the scheme's formal documents, including our Statement of Funding and Statement of Investment Principles. The latest audited annual report & financial statements, actuarial valuation report, Recovery Plan and Schedule of Contributions are available on the scheme website or, if you would like a paper copy, please contact RPMI.

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.



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, 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@rpmi.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.