September 2020 | **Issue 07**

Options

Uniper Trustee newsletter

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Trustee's message

A very warm welcome to your latest edition of Options, the Trustee newsletter for members of the Uniper Group of the Electricity Supply Pension Scheme (the Uniper Group).

Back in July, we issued the sixth issue of our newsletter with a commitment to provide further information on the 2019 valuation once completed. I am pleased to say that we can now report on the findings, which can be found on page 3. I would like to thank my fellow Trustees and the Company for the way they conducted the complex negotiations, which resulted in the Company agreeing to increase its employer contributions as well as a possible further commitment dependant on financial circumstances in 2022, as shown.

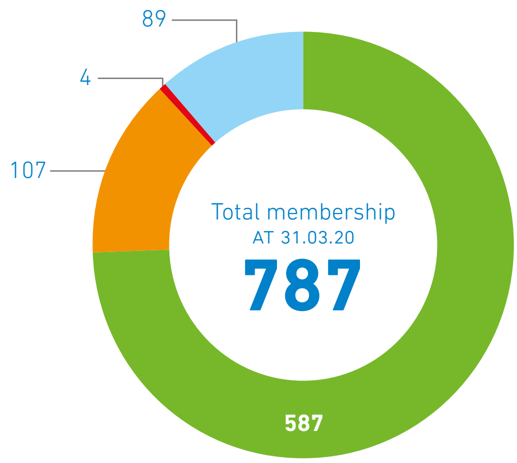
We also completed our Group audit as at 31st March 2020 and condensed information on the results can be found to the right. A full copy of the accounts can be requested from RPMI.

Our objective as Trustees of the Group is to provide you with transparent and clear information about your pension. We hope this newsletter will enable you to navigate the often complex world of pensions, and to learn more about the Scheme and the benefits you will receive, so that you can plan better for your future. And remember, your Scheme administrator RPMI, and your Group Secretary Adrian Furnell, are happy to help with any queries about your Scheme pension. You can find contact details for both on the back cover of this newsletter.

Matt Bayes
Trustee Chair

How does the Scheme stand?

Key statistics from the Annual Report & Accounts.



Uniper Group of the Electricity Supply Pensions Scheme

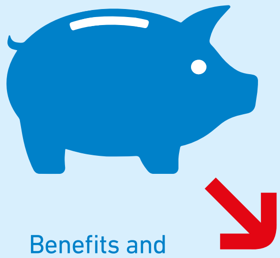
contributors (members currently paying into the Scheme)	
pensioners	
dependants	
deferred pensioners	
Total	**787**

Income:

Contributions and transfers

£20.9m

Expenditure:



Benefits and administrative expenses

£11.7m

Net assets: (as at 31 March 2020) **£488m**

A copy of the full report is available on request by contacting the Scheme administrator RPMI (details on the back page).

2020 Summary Funding Statement

...for the Uniper Group of the Electricity Supply Pension Scheme (ESPS) (Uniper Group).

The Trustee must complete a formal valuation (known as the Actuarial Valuation) at least every three years to calculate the assets and cost of providing members' benefits, also referred to as 'liabilities', of the Uniper Group (the 'Group') at a given point in time. The second valuation was carried out as at 31 March 2019 and, under legislation, Trustees have 15 months in which to complete it. However, due to a number of factors, this was not possible, although the Company and Trustees (after notifying the Pensions Regulator) completed it in early August 2020.

Changes to the Group's funding position

The information below, our summary funding statement, provides a recap of the funding position at the time of the 2016 Actuarial Valuation, the results of the latest Actuarial Valuation at 31 March 2019 and the results of the latest yearly update, which was based on information at 31 March 2020.

	Valuation 31 March 2016	Valuation 31 March 2019	Valuation 31 March 2020
The value of the Groups assets	£283.9m	£474.2m	£486.1m
The value of its liabilities	£327.0m	£500.0m	£547.2m
The overall position	Shortfall of £43.1m	Shortfall of £25.8m	Shortfall of £61.1m
Funding level	87%	95%	89%

These figures have been calculated on the basis that the Group will continue. However, as part of the valuation, the Actuary must also estimate the funding position if the Group had been wound up on the valuation date. There is more information about this on page 4, in the section "How secure is my pension".

Contributions agreed at the 2019 Actuarial Valuation

The 2019 valuation results show that there was a shortfall in the value of the assets of £25.8 million as at 31 March 2019 (versus a shortfall of £43.1million at the last valuation on 31 March 2016). This is in comparison to the estimated amount needed to provide the benefits earned by the valuation date, as and when they become payable. The corresponding funding level (the ratio of the value of the Group's assets to the amount needed to provide benefits) was 95%.

As a result, Uniper UK Limited (the 'Company') and the Group Trustee have agreed a 'recovery plan', which outlines that the Company will pay additional 'deficit' contributions, aside from the normal employer contributions required to pay for benefits being earned in the future. The agreed deficit contributions are:

- A payment of £3.2million in January 2020
- An £11.4 million one-off payment in August 2020, plus
- A further payment of up to £7 million payable on 1 January 2022 if the Scheme Actuary assesses that the Uniper Group will not be fully funded by 31 December 2025

The Scheme Actuary has advised the Trustee that it expects these contributions – together with anticipated investment returns – to eliminate the funding shortfall by December 2025.

In addition, from 1 July 2020, the Company will pay contributions of 54.2% of members' pensionable salaries for members of the final salary categories and 35.3% 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 Group.

Annual Update at 31 March 2020

The table on left shows that the value of the Group's assets had increased at the time of the annual update at 31 March 2020, as a result of positive investment returns and contributions paid. The value placed on the Group's liabilities have also increased, as a result of a fall in government bond yields, which is a key driver of the cost of providing these benefits in future. The net result was an increase in the funding shortfall since the Actuarial Valuation date. At 31 March 2020, the shortfall was estimated to be £61.1m.

What is the Group invested in?

The Uniper Group has invested in a diversified range of assets – including equities, property, corporate bonds, government bonds and derivatives – via a Fiduciary Mandate with Aon.

The Trustee regularly reviews the investment performance to ensure the allocation to the various asset classes is appropriate, taking into account the financial position of the Uniper Group and the risk tolerance of both the Trustee and the Company.

The Trustee's investment principles are documented in a 'Statement of Investment Principles', which is available to members on request.

How is your pension paid for?

The funds required by the Trustee to pay the members' benefits come from a combination of Company contributions and, if necessary, the sale of the Uniper Group assets.

The funds are held in a common fund and not in separate funds for each individual member.

How are the Group's liabilities assessed?

The Uniper Group is subject to a formal financial assessment (an Actuarial Valuation) at least once every three years. As part of the Actuarial Valuation, the Trustee and the Company agree a Statement of Funding Principles (or 'SFP'). The SFP states how the liabilities built up by the Uniper Group should be calculated. It includes the method used in the calculations and assumptions such as what future asset returns and life expectancies are expected to be. A copy of the SFP is available to members on request.

How secure is my pension?

The Trustee's long-term funding objective is for the Uniper Group to have enough assets to pay the benefits that are due, both now and in the future, without the need for further Company contributions. Until it achieves that, the Uniper Group's ability to fund benefits is dependent upon the Company continuing to make contributions to the Uniper Group. Accordingly, the Trustees made enquiries via a formal covenant assessment that the participating employers and Uniper SE were expected to be able to meet the long term pension obligations at the 2019 valuation date. The Trustees are pleased to confirm that the results of this exercise confirm that this was the case at the 2019 date.

In the highly unlikely event that the Company does becomes insolvent and is unable to pay further contributions, the full amount of your accrued pension may not be paid. If this were to happen, the assets of the Uniper Group would be used to buy insurance policies to fund your future benefits. Insurers would take a more cautious view of the future than the assumptions used in the Actuarial Valuation and would also look to make a profit.

If the Group had been discontinued on 31 March 2019, it was estimated that the assets of the Uniper Group would cover 66.0% of its liabilities measured on these more cautious assumptions.

Should the Company become insolvent, the Uniper Group may qualify for entry into the Pension Protection Fund (PPF). The PPF pays compensation to members of defined benefit pension schemes up to a certain level. However, given the current funding position, the benefits provided by the PPF would, in almost all cases, be lower than those payable from the Uniper Group. Information about the PPF is available online at **www.pensionprotectionfund.org.uk.**

Other information

We are required to let you know that there have not been any payments to Uniper UK Limited out of the Uniper Group's funds over the last 12 months.

We are also legally required to tell you whether the Uniper Group has had future accrual of benefits modified by The Pensions Regulator or if any directions or schedule of contributions have been imposed on the Uniper Group by The Pensions Regulator. There has not been any such involvement from The Pensions Regulator with the Uniper Group.

If you are thinking of leaving the Uniper Group for any reason, you should consider getting professional financial advice first. You can find your nearest Independent Financial Adviser (IFA) by visiting https://directory.moneyadviceservice.org.uk/en

Please note that an IFA may charge you for any advice they give. If you change your email address or home address, please ensure that you let the Group's administrator (RPMI) know by contacting them using the details on the back page. If you are interested in looking at any of the formal documents that relate to the Uniper Group and its funding, please contact RPMI.

The formal Uniper Group documents include:

- **Trust Deed and Rules**
- **Annual Report & Accounts**
- **Statement of Investment Principles**
- **Statement of Funding Principles**
- **Actuarial Valuation and Actuarial Reports**
- **Schedule of Contributions; and**
- **Recovery Plan**

Make a will and protect the ones you love

The recent Covid-19 pandemic has certainly reminded us of how precious life is, and the short amount of time it takes for our world to turn upside down.

The loss of someone we love is undoubtedly the hardest thing that can happen to anyone of us. And at this sad time, the last thing we want to think about is sorting out paperwork and financial documentation.

But, have you thought about what you could do make life a little easier for the ones you love when you're no longer around?

Writing a will may be a good start. According to the Will Aid charity (**willaid.org.uk**), the pandemic has sparked up a 'massive rise' in demand for wills.

Here are five reasons why having a will is something you should definitely consider – and what you need to know about your pension savings.

- **It gives you peace of mind**
  Knowing your last wishes are carried out and your assets and estates (finances, property and belongings) are protected and distributed as specified by you, undoubtedly brings peace of mind and reassurance that things are handled in the way you want them to be.

- **It would make life a little easier for the ones you care about**
  Making and registering a will can save a lot of stress and hassle for your family and friends. If you don't have a will, your estate is dealt with under what are called **intestacy rules,** where the law will decide who inherits what.

- **Provide for your children, should the worst happen to you**
  A will allows you to name guardians who can care for your children, should the worst happen to you, while they are still young. Having a will also give you the opportunity to set up a trust which can keep and protect your money for their future.

- **Pension savings are not covered by a will**
  You may be surprised to know your pension isn't legally part of your estate, so is not covered by your will. The Scheme will have given you the chance to fill in a nomination form to tell the Trustee who you would like to receive the remainder of your pension savings upon your death.

- **Make sure you don't pay more Inheritance Tax than you need to**
  Inheritance Tax (IHT) is a tax on the estate (property, possessions and money) of someone who has died. Normally, there is no IHT to pay if either:

  1. The value of your estate is below the £325,000 threshold, OR
  2. You leave everything above the threshold to your spouse, civil partner, a charity or a community amateur sports club.

  If the estate's value is below the threshold you will still need to report it to HMRC.

If you're looking for more information about making a will, have a look at the guidance provided by the Money Advice Service on **moneyadviceservice.org.uk.** You can also read more about Inheritance Tax and intestacy rules at **gov.uk.**

The above article is provided for information only and members should not rely on the above being suitable for their own circumstances without taking appropriate legal advice.

The most bizarre tax return and expense claims excuses

Completing a tax return isn't always as straightforward as you'd think, but blaming aliens and such like might be a step too far.

The general rule of thumb is that any expense must be "wholly and exclusively" for business purposes. When it comes to claiming for food and drink, they should be claimed as a travel expense. However, it must be clear that these are outside your normal working routine. So if you're travelling to the same place of work every day – or indeed having sausage and chips almost every day for lunch – you may well come unstuck!

Here are some of the most ridiculous expense claims and late tax return excuses, as revealed by HMRC.

Top failed self-employed expenses claims:

- A three-piece suite for my partner to sit on when I'm doing my accounts
- Birthday drinks at a Glasgow nightclub
- Vet fees for a rabbit
- Hotel room service - for candles and prosecco
- £4.50 for sausage and chips meal expenses for 250 days

Top excuses for missing the tax return deadline:

- I couldn't file my return on time as my wife has been seeing aliens and won't let me enter the house
- I've been far too busy touring the country with my one-man play
- My ex-wife left my tax return upstairs, but I suffer from vertigo and can't go to retrieve it
- My business doesn't really do anything
- I spilt coffee on it

Further information

If you need specific information about your pension, contact the pension scheme administrator:

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

Email: enquiries@rpmi.co.uk
Telephone: **0247 6472 544** (Mon-Fri 8am to 5pm)

If you have a question for the Trustees, please write to RPMI, or you can email Adrian Furnell, Secretary to the Trustees, at: adrian.furnell@uniper.energy.