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Options

Uniper Trustee newsletter

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Trustee's message

Welcome to the latest edition of Options, the Trustee newsletter for members of the Uniper Group of the Electricity Supply Pension Scheme (the Uniper Group).

As many of you will know, Felix Lerch resigned from UUKL as from 31 December 2018 and as a result, he also left the Trustee Board from the same date.

On behalf of you and his fellow Board members, can I thank him for his service over the last two years. Felix has been an exemplary Chair of Trustees and, like all the Trustee Directors, has worked tirelessly for the benefit of the Uniper Group of the ESPS and its members, both current and previous.

A replacement Director will be nominated by UUKL shortly.

Jas Sandhu joined as the new Member Nominated Director as from 4 December 2018 for a six-year term, replacing the previous Member Nominated Director. We welcome him to the Board and the rest of the Directors look forward to working with him.

Although some of the outcomes from items in this newsletter will not be clear for a while yet (for example, GMP equalisation), we hope you find the updates useful and interesting.

Peter Langdon
Deputy Chairman

High Court ruling on GMP equalisation

You may have seen in the news that on 26 October 2018, the High Court ruled that defined benefit (DB) pension schemes must equalise guaranteed minimum pension (GMP) for men and women, and update their rules as a result.

Why has this come about?

From 6 April 1978, a pension scheme could opt-out of the State Earnings Related Pension Scheme (SERPS) and pay less National Insurance. In exchange, the scheme would then be responsible for paying a GMP to the member. The GMP is equivalent to the amount of SERPS the member would have earned had he or she not been contracted out.

In 1990, the courts ruled that occupational pension schemes must equalise the retirement ages for both men and women (for example, a scheme which had retirement ages of 60 for women and 65 for men opted to equalise the retirement age to 65 for women as well as men). However, GMPs did not equalise in the same way and can result in inequality because:

- GMPs are payable at age 60 for women and 65 for men
- GMPs attract different increases before and after retirement, and
- GMP increases tend to be lower than scheme increases on non-GMP elements

There are other factors that result in the inequality of GMPs, which the ruling seeks to address, and where necessary, make good any shortfalls that a member may have suffered as a result.

How is the ESPS affected?

At present, the Trustees are not able to say definitively what impact the ruling will have on ESPS benefits; however, they want to reassure members that they are aware of the ruling and will be considering their next steps.

The Trustees will continue to update you as and when they know more.

Lost a pension?

In just over 30 years, the government estimates there'll be around 50 million dormant pension pots, worth over £750bn.

That's an awful lot of money in forgotten pensions for Brits to be leaving to their pension providers! Unfortunately, people don't always know that they're missing a pension – especially if they don't remember to take a pension with them whenever they change jobs.

Research suggests that as many as one in five UK adults could have lost track of a pension pot.

If you think you might have money scattered across different pensions, there are a few things you can do to track them down. Follow these four simple steps and avoid being one of the millions to miss out on your hard-earned money!

1 Contact your former employer(s)

The best place to start is at the very beginning. If you're unsure if you've started a pension and left it behind when you've moved onto a new job, it could be worth contacting your former employers to enquire what pension schemes, if any, they had set up back then. To keep things simple, work through your CV, from your oldest positions to the most recent, and get in touch with the respective HR departments.

You should expect to be asked some questions about when you were employed and potentially your employee or payroll number, which you should be able to find on any old payslips or correspondence. Your former employer won't be able to confirm that you were part of their workplace pension scheme, but they will be able to tell you if one existed and who manages it, which will take you nicely to step 2.

2 Contact your pension provider(s)

Hopefully you'll have found out the details of some pension providers from your old employers, or you may already know that you have an old pension with a specific provider. You can give them a call to confirm if you are a member of any pensions that they manage. It's likely they'll ask you for information like your date of birth and National Insurance number to confirm your identity. However, additional information may be required for security purposes such as an address history.

3 Use the Pension Tracing Service

If you have an old workplace or personal pension that you've lost track of there's another way you can try to track it down. The government has a free database that lists the details of companies and personal pension scheme providers. You can search the Pension Tracing Service to find the names and contact details for your pension providers. The Pension Tracing Service is available online, by telephone or by post.

4 Get a new pension and enlist the help of your new provider

Once you've established where your pensions are, it's important to consider how they're performing and if you could be doing more with your savings to increase the likelihood of a higher pension when you retire. To find out more, consider asking your pension provider the following questions about your pensions:

- What's the current value of my pension pot?
- How are the funds being invested?
- What charges or management fees am I paying?
- How much income is my pension likely to pay out at my predicted retirement date?
- Are there any penalties payable if I move my pension to a different provider?
- If you aren't satisfied with the responses, you might want to consider looking for a pension that more closely matches your savings goals and attitude to risk. Bear in mind, though, that if you're thinking about moving a defined benefit pension worth over £30,000, legally you'll need to get advice from an Independent Financial Adviser (IFA) first.

In some cases you may not be allowed to move the pension pot, e.g. some public service pensions, and you should check with your current provider for more information in the first instance.

Some pension providers will offer to help you find your missing pensions, when you choose them for your new pension. This can be a relatively straightforward way of tracing missing pensions, without you having to do very much work yourself. All you'll need to do is provide a few details and make up for lost time by catching up on any missed pension contributions.

Should I transfer my old pensions?

If you've accumulated numerous workplace pensions over the years from different employers, it can be difficult to keep track of how they are performing.

There is a danger that long-forgotten plans will end up festering in expensive, poorly performing funds, and the paperwork alone can be enough to put you off becoming more proactive.

So, is transferring everything into one easy-to-manage pension the way to go? There are advantages to switching your pensions but there are also pitfalls.

The best course of action will depend on what kinds of pension you have and how long you have until retirement.

And if you're not comfortable tackling big decisions on your own, an independent financial adviser (IFA) can help.

Should I consolidate my pensions if I change job?

Making the most of your pensions now could have a significant impact on your happiness in retirement; getting it right could mean a higher income, or even an earlier retirement date.

If you're lucky enough to be in a final salary scheme it will almost always make sense to stay put. But if you have any other type of pension – where success or failure depends on the performance of your investments - consolidation is worth considering.

The impact of high charges on your pension schemes

The negative effect of high charges and poor fund performance should not be underestimated.

If a 35-year-old with a £10,000 pension pot invests until 65 in a fund that achieves 5% annual investment growth, but charges 2% a year, the pot will be worth £23,720.

The same £10,000 invested in a fund that achieves 7% annual investment growth, with a 1.5% annual charge, will be worth £48,541 – more than double.

A better return will never be guaranteed, but more investment choice and lower fees will give you the best chance of achieving one.

And again if you're not comfortable tackling big decisions on your own, an independent financial adviser (IFA) can help; www.unbiased.co.uk can help you find an IFA in your locality.

Please note that it is not possible to transfer any benefits from previous employers to the Uniper Group of the ESPS.

Risk warning: This information should not be regarded as financial advice. As always with investments, your capital is at risk.

Contacting the Pension Tracing Service

You can contact the Pension Tracing Service in several ways. You can search the Pension Tracing Service's database online, phone the service on **0345 6002 537** or write to them at: The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU.

Bear in mind that the Pension Tracing Service can only provide contact details for pension providers. It won't tell you whether you have a pension or how much your pension is worth. To find out confidential information about your pension, you'll need to contact your pension provider directly.

Auto-enrolment update

On 6 April 2019, by law, the minimum amount Uniper has to pay into the various sections of the ESPS increases to 3% of qualifying earnings, while members will now contribute 5% - making a combined total minimum contribution of 8%.

Remember these are the minimum amounts under legislation not what is payable under the ESPS Rules.

In reality, Uniper pays considerably more into funding the Uniper Group of the ESPS and members' contributions also exceed the minimum 5%.

So, the good news is, there will be no change to the contributions either you or Uniper pay to meet the auto-enrolment responsibilities.

Summary Funding Statement update - 2018

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

Each year, the Trustee of the Uniper Group (the Scheme) is required by law to provide you with a Summary Funding Statement, which describes the level of funding that supports your pension.

Funding position

The Trustee works closely with Uniper UK (the Company) to ensure your benefits are adequately funded, secured and governed. A formal actuarial valuation is usually carried out every three years by the Scheme Actuary. The last of these formal valuations was as at 31 March 2016.

In years when a formal valuation is not carried out, an annual actuarial update is completed to assist the monitoring of the financial progress of the Scheme. The most recent update was completed as at 31 March 2018 and the results are summarised in the table, right, along with the 31 March 2016 results for comparison.

When the Scheme's assets are lower than the funding target (which is also known as the 'Technical Provisions'), there is a shortfall. The estimated shortfall at 31 March 2018 of £55 million is larger than the shortfall of £43.1 million assessed for the 31 March 2016 valuation.

The main reasons for the increase in the shortfall over this period are:

- The Technical Provisions increased – mainly because gilt yields over the period 31 March 2016 to 31 March 2018 fell, and expectations for future inflation rose.
- The assets also increased over the period due to positive investment returns and deficit repair contribution payments, but to a lesser extent than the Technical Provisions.

Overall, the funding level improved from 88% to 88.7%.

What's being done to address the shortfall?

As part of the process of completing the 2016 valuation, the Trustee agreed with the Company a funding plan to address the deficit.

The key features of the funding plan were an immediate cash injection of £10 million in June 2017 plus £3.2 million contributions from the Company per annum towards the shortfall from 2020 to 2025 inclusive.

These shortfall contributions, together with a prudent assumption regarding future investment returns, were forecast to remove the shortfall as at 31 March 2016 by 31 December 2025. The contributions will be assessed at the next formal valuation, which will have an effective date no later than 31 March 2019.

	31 March 2016 valuation	31 March 2018 annual update
Assets	£283.9m	**£433.5m**
Liabilities (the 'Technical Provisions')	£327.0m	**£488.5m**
Shortfall	£43.1m	**£55m**
Funding level	87%	**88.7%**

Refunds and The Pensions Regulator's role

The law requires us to confirm that there have been no payments to the Company out of the Uniper Group since the date of the last Summary Funding Statement. There have been no such payments.

In certain circumstances, The Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the funding target, setting the terms of the recovery plan and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Uniper Group.

What protection is there for members' benefits?

The Trustee is required to provide you with an indication of what the funding position would be if the Uniper Group had terminated and was wound up as at the date of the last valuation. This information is purely for legislative purposes – the Company has no plans to wind up the Uniper Group.

If the Uniper Group had wound up on 31 March 2016 (the date of the last formal valuation), its assets of £283.9 million would have covered around 48% of the estimated cost of securing the Uniper Group's benefits with an insurance company, equating to a shortfall of £309.1 million.

In the unlikely event of the Uniper Group winding up, the Company would be legally required to finance this buy-out shortfall and pay enough into the Uniper Group to enable benefits to be completely secured by an insurance company.

In the even more unlikely event that the Company becomes insolvent, the Pension Protection Fund (PPF) may be able to take over responsibility for the payment of the Uniper Group's benefits. The benefits payable from the PPF would be subject to their pre-determined compensation levels, which could be less than your full benefit entitlement under the Uniper Group. For full details, please visit the PPF website at **pensionprotectionfund.org.uk**

What to do if you have any questions or would like further information

For day-to-day administration queries, such as changes of address, queries about your pension and requests for copies of documents, you should contact the Scheme administrator:

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

Email: enquiries@rpmi.co.uk
Telephone: 0247 6472 544
(Monday to Friday, 8am to 5pm)

For other queries, please contact Adrian Furnell, Uniper's Pensions Manager, at: adrian.furnell@uniper.energy

Nomination of beneficiaries

If you die, you can nominate a person (or persons) to receive a lump-sum payment from your pension benefits.

It's important that you keep these details up to date.

To nominate or update a beneficiary, please complete an Expression of Wish Form, which can be downloaded from the **Uniper pension website.**

State Pension Age

From November 6 2018, the State Pension age finally became the same for men and women.

The change, which has been gradually phased in, means that women can only start claiming their State Pension at the same age as men – from the age of 65.

Up until 2010, women could take their State Pension at age 60, but their State Pension age has gradually risen since then.

The State Pension age will go up again for both men and women to age 66 by October 2020 and 67 by March 2028. Another rise to 68 is proposed by March 2039.

Keep your details up to date

It's really important that the details we have about you are kept up to date.

Having your correct and current details means RPMI can administer your pension effectively and stay in touch.

You can inform RPMI of any changes to your details using the contact details below. If you are an active member, you should notify your HR team of any change of address first and they will then inform RPMI.

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, Uniper's Pensions Manager, at: **adrian.furnell@uniper.energy**.