

POWERHOUSE ESPS GROUP NEWSLETTER

September 2020

Dear Fellow Member

Welcome to our latest Newsletter.

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➤ RESULTS OF THE 2019 ACTUARIAL VALUATION

The actuarial valuation of the Group at 31 March 2019 has been signed off by the Trustees and the Company.

Attached as Appendix 1 is the Group Summary Funding Statement, prepared by our Group Actuary, which sets out and comments on the financial position of the Group at 31 March 2019 and 2020.

Based on the information from the Group Actuary the Group's funding position continues to remain positive at over 100% as at September 2020.

As requested by the Company, and having taken advice from the Group Actuary, the Group Trustees have agreed that the expenses of running the Scheme will be paid from Group assets. This has been agreed in light of the strong funding position and will be re-assessed at the next actuarial valuation in 2022.

➤ UPDATE ON INVESTMENTS

As at 30 June 2020 the value of the Group's investments, which are held in Legal & General Pooled funds, was:

	<u>£m</u>	<u>%</u>
World Equity	13.4	5.5
Corporate Bonds	18.4	7.5
Index-Linked Gilts	192.0	78.7
Cash	<u>20.2</u>	<u>8.2</u>
	243.9	100%

Note:

Above figures may not add up due to rounding.

Over the one-year and three-year periods the Group's assets to June 2020 have returned 7.8% and 6% p.a. respectively. These returns were in line with agreed benchmarks.

➤ 2020 SCHEME AGM

It is planned that this year's Scheme AGM will be held on **Monday 23 November 2020** starting at **1.00 pm**.

However, due to the exceptional circumstances of the current Covid-19 lockdown rules the Scheme has now put in place plans so that members will have the ability to join the Scheme AGM remotely and, indeed, depending on circumstances that may be the only permitted way for members to attend.

The following arrangements have been put in place by EPTL:

- The intention will be to allow attendees to join the meeting "virtually". At this stage there is no

guarantee that any members will be allowed to attend in person and it is strongly recommended that all members who wish to attend plan to attend virtually. There are a number of reasons for this, including the members' own health and safety as well as possible travel restrictions and restrictions on access to any building.

- The software to be used for a virtual meeting: can accommodate up to 1,000 participants which significantly exceeds the normal level of attendance at the Scheme AGM; allows members to vote on any resolutions; allows questions to be asked by participants by typing these in and is accessed online. A member without internet access could join by phone and listen but would not be able to vote or ask questions – so online access is recommended and preferred.
- Anyone who wishes to attend the Scheme AGM virtually will need to provide contact details. This information will be held to allow us to contact you if arrangements are changed and will be dealt with in accordance with data privacy legislation.
- Additionally, a “test” run for joining the AGM will be held for members on Tuesday 10 November 2020 at 10.30.
- If you wish to attend the Scheme AGM “virtually” you will also need to register.
- For the Scheme AGM itself please register by using the following link: <https://register.gotowebinar.com/register/4610119622783940364>
- For the “test” meeting please register by using the following link: <https://attendee.gotowebinar.com/register/1152824056628776971>
- These links will also be shown on the new ESPS website which will be launched in the coming weeks, but members are encouraged to register

as soon as possible on the above links.

- If there are any resolutions, the individuals proposing and seconding the resolutions will be able to speak using the “virtual” software.

➤ **UPDATE ON CAPITA PERFORMANCE**

Since the last update in our April 2020 Newsletter both the Company and the Trustees have continued to monitor Capita’s performance for administration.

Because of the Covid-19 pandemic, service levels have dipped in the last few months, although priority cases have been managed. It is expected that these will return to acceptable levels in the near future. The Trustees will be closely monitoring the position.

➤ **GMP RECORDS**

As mentioned in previous Newsletters, Capita has been liaising with HMRC over the past year or so to check that your Guaranteed Minimum Pension (GMP) data held on our records is up to date and corresponds with those held by the National Insurance Contribution Office (NICO).

Final HMRC data has now been received and analysis work by Capita is planned for completion in early 2021 with a view to amending records and payroll thereafter.

A relatively small number of members will be affected and Capita will update you by letter individually on how this will impact you. They propose to set up a Members’ Helpline to deal with any queries.

➤ **CURRENT MEMBERSHIP OF THE GROUP at 30 JUNE 2020**

Pensioners:	1,633
Deferred:	204
Dependants:	<u>175</u>
	2,012

➤ ANNUAL MEETING OF MEMBERS

Due to insufficient interest from members the Group Trustees did not hold a local Meeting of Members during 2019.

As in previous years the Group Trustees are willing to arrange, with your support, an Annual Meeting of Members in November/December 2020 at a venue to be arranged in the High Wycombe, Buckinghamshire area.

As you know the Trustees will only arrange a meeting if at least 25 members express an interest in attending, **so please do let the Group Administrator know by Monday 26 October 2020 if you would like us to arrange one.**

➤ YOUR GROUP TRUSTEES

Your Group Trustees currently consist of two Elected Group Trustees who are in receipt of a pension from the Group:

*Howard Whisker
Craig Breeze*

In addition, there are two Appointed Group Trustees:

*Nigel Burnett (Chair)
(In receipt of a pension)*

*Marc Boone
(HeidelbergCement – Treasury Manager)*

Nigel Burnett also serves as an Appointed Director on the Board of EPTL and Howard Whisker serves as a Reserve Elected EPTL Director.

The Group Trustees have scheduled quarterly meetings at which they deal with the day to day administration of the Group, assisted by Susan Smith (Pi Consulting) who provides secretariat services. They also determine the Group's investment strategy and monitor performance of the Group's assets. The

Group Trustees receive regular fund management presentations and reports and are assisted by their investment adviser, Lane Clark & Peacock.

You can contact the Group Trustees direct, or through Susan Smith (Pi Consulting) on 020 8879 6525.

Please note that the Group Trustees do not personally hold or have access to member data.

➤ ACCESSING YOUR PENSION RECORD ON-LINE

Hartlink Online, which is Capita's online portal, allows real-time access to your pension record. This will enable you to:

- *view Payslip and P60 information (Pensioners only).*
- *amend personal details*
- *complete or update a Beneficiary Nomination form.*
- *access a range of Group/Scheme documents.*
- *access links to relevant websites helping you to better understand your benefit entitlement.*
- *check that the information we hold for you is accurate and up to date.*

*Hartlink Online website is available at:
www.hartlinkonline.co.uk/powerhouse*

To access the site enter this web address into the address bar of your web browser.

If you have any problems with the registration process, please use the 'Contact us' button on the site. Alternatively, you can contact our Group Administrator at hanson@capita.co.uk or via Hanson Schemes admin team on 0345 600 0591 or by post to:

Lee Siddall, Group Administrator
Powerhouse Retail ESPS Group
Capita, PO Box 555, Stead House
Darlington, DL1 9YT

➤ **COMPANY PENSIONS WEBSITE**

For your information Hanson UK has set up a website for all its various pension schemes which provides Scheme/Group and general pension information. This can be accessed at the following link: <http://www.hansonpensions.co.uk/en/po-warehouse>

➤ **PENSION FRAUD – TRANSFER SCAM WARNING**

Transferring your benefits out of the Scheme is an important decision and should only be taken having after careful consideration. We recommend that you take independent financial advice and in some cases you have to do this before you can make a transfer.

Since January 2019 it has been illegal in the UK for firms to make unsolicited telephone calls, texts and emails to members of the public on the subject of pensions. This includes offers of a free pension review.

There is an FCA leaflet, **‘Don’t let a scammer enjoy your retirement’**, which sets out some steps to protect yourself from pension scams. The link is:

<https://www.fca.org.uk/publication/documents/pension-scams-leaflet.pdf>

If you receive a call from anyone selling pension products be careful what information you share and if you’re at all unsure about who you’re speaking to then end the call.

If you are a deferred member but not yet taken your pension, scammers may tell you that your pension is ‘frozen’, this is not true for everyone and many deferred pensions do increase over the period to retirement.

The Pensions Regulator continues to issue warnings to all pension scheme administrators and trustees to advise members to be extremely vigilant regarding Pension Fraud. You should always consult a properly authorised Independent Financial Advisor who is

regulated by the Financial Conduct Authority, before agreeing any action in respect of pension savings.

Note: Calls, text and emails from overseas are not covered by the change in UK law, so please continue to be vigilant.

➤ **LUMP SUM DEATH BENEFITS**

In recent Newsletters we have reminded members that the Scheme provides for the payment of a lump sum death benefit in the event of a member’s death. This will apply:

- a. if you are a Deferred Member and your pension is not yet in payment, or
- b. if you are a Pensioner Member within the first five years of retirement.

We ask you to complete a Beneficiary Nomination form setting out details of who you would like to receive any benefits. Whilst the Trustees are not required to follow your wishes having a form in place helps the Trustees pay any benefits due in a timely way.

➤ **FEEDBACK**

If you have any queries or comments regarding the Scheme or on any items covered in our Newsletter or ideas for items in future Newsletters, please let me know by emailing me at:

nigel.p.burnett@gmail.com

Kind Regards and Best Wishes,

Nigel

Nigel Burnett
Chair of Group Trustees

APPENDIX 1

GROUP SUMMARY FUNDING STATEMENT

A. Introduction

As a member of the Powerhouse Retail Group of the Electricity Supply Pension Scheme ("the Group"), you have built up a pension based on your salary and service when you left employment. (This is called a 'defined benefit' or 'final salary' pension.)

A fund of money has been established to help pay for the benefits due in the future after you retire. The Group Trustees are responsible for managing the money, investing it and using the assets that build up to provide the benefits under the Group.

This financial support for the Group and its benefits is called funding. It gives you greater security for your pension than if you simply relied on the Company to carry on paying you after you retired. It gives the Group the opportunity to benefit from investment growth and allows the Trustees to plan ahead.

This statement prepared by Aon, our Scheme Actuary, on behalf of the Group Trustees who manage your Group, looks at how we monitor the financial security for your benefits. It includes this year's annual funding statement and explains some of the steps we take to increase the security of your benefits.

B. If you have a question

If you would like more information about anything in this statement, please contact the Group Administrator. Also please go on the Capita website (see above) www.hartlinkonline.co.uk/hanson. or contact the Group Administrator if you would like to see any of the following scheme documents.

- **The Statement of Funding Principles** which sets out our policy for how we aim to satisfy the funding requirements;
- **The Statement of Investment Principles**, which explains how we invest the funds;
- **The Schedule of Contributions**, which shows how much money is being paid into the Group; together with the actuary's certificate which confirms that the Schedule meets current requirements;
- **The Group's Recovery Plan**, which shows how any shortfalls are eliminated;
- **The Group's Annual Report and Accounts**, which shows the Group's income and expenditure in the year up to 31 March 2020;
- **The Report from the Group's actuary** following his check of the Group's situation at 31 March 2019.

The Group Administrator is Capita Employee Benefits Limited, Hartshead House, 2 Cutlers Gate, Sheffield, S4 7TL. Tel: 0845 600 0591. Email: Hanson@capita.co.uk

C. If you need advice

If you are thinking of making any changes to your pension arrangements at any time, you should obtain as much information as you can and think about obtaining independent financial advice. The Financial Conduct Authority website has more information about finding a suitably qualified adviser. www.fca.gov.uk

D. Understanding the Group

The most important step we can take for the security of the Group is to get a clear understanding of how it works and what it needs. The Group's liabilities (the value of the benefits it must pay) cannot be predicted exactly in advance because there are a number of unknowns which affect them. Understanding what can

affect the Group's needs helps us to plan ahead and allow for this uncertainty.

E. Identifying potential risks

Risk is a part of everyday life and we normally deal with it by taking a few safety precautions to reduce the risk to an acceptable level. Therefore another important step in our planning is to identify possible risks to the security of the Group so that we can decide on the precautions we will take.

Employer risk

The Group relies on Hanson (and ultimately HeidelbergCement) and its financial support to: make extra contributions when there is a shortfall in the funding; and pay the future expenses of running the Group each year.

This is the same for all final salary schemes. It therefore means that we have to consider the strength of the company supporting the Group as well as the amount the Group needs in any one year. Our planning includes assessing the risk that an employer will not be able to afford to make the contributions the Group needs in future.

Funding risk

As Trustees, we are responsible for developing a funding plan for the Group. We set out our aims, the funding target we believe is suitable for the Group, and how we plan to achieve this. The risks we need to consider here are that:

- the assets may fall short of the funding target we have set; and
- the funding target itself may be too low to cover the benefits, especially if the Group was wound-up.

The Pensions Act 2004 brought in scheme-specific funding (see below). This allows us to work with the Company and agree a funding plan which incorporates an appropriate safety margin for *our* Group, bearing in mind our circumstances and our membership. The funding target we agree for the Group

meets the requirements of the Pensions Act 2004 and is called the 'technical provisions'.

Investment risk

The value of investments is expected to rise and fall over time. At the same time, the amount the Group needs to provide the benefits (its liabilities) is also changing. Investment risk is the risk that the value of the assets falls but the amount needed if the Group was to end does not. We counter this risk by considering the characteristics of the Group's liabilities and the investments that will behave in a similar way.

F. Scheme-specific funding

Statutory funding objective

The statutory funding objective is that any scheme should hold enough assets of suitable kinds to meet a funding target called the 'technical provisions'.

Technical provisions

This is the amount that the trustees think a scheme will need to pay members' benefits. No-one can predict this accurately, so the trustees and the employer who sponsors the scheme agree suitable assumptions, which satisfy the new regulations, for the actuary to make when working this out.

Funding level

The actuary works out the funding target under the technical provisions, looks at the market value of the assets, then compares the two. This gives the funding level.

Statement of Funding Principles

This is the trustees' written policy for meeting the statutory funding objective and it covers:

- the method and assumptions the trustees tell the actuary to use;
- how the actuary works out employer contributions;

- how quickly the trustees and the employer aim to make up any shortfall.

G. Planning the Group's future

Making some assumptions

To understand the characteristics of the Group's liabilities and make some calculations about how much the Group will need (our funding target); we have to make some assumptions. These assumptions include:

- how long members will live after they retire, which is the length of time the Group must pay them a pension;
- what investment returns will be in future, which affects how the Group's assets grow; and
- how much inflation will be in future, which affects how much pension increases will be.

H. Exploring the possibilities

As well as suggesting possible assumptions, the actuary can look at how the calculations change if one of the assumptions turns out to be too low, or too high. Exploring these possibilities allows us to agree a 'best estimate' and include a safety margin. As Trustees, we use our judgement to consider how confident or cautious we want to be as we plan the Group's funding in consultation with the employer.

The balance we set helps us to manage employer risk. We take the Company's business plans and credit rating into account, to help us decide how confident we can be for the longer-term future. We set realistic contribution levels so that the Company can afford them. We consider carefully any changes the Company may suggest that may help to make the situation more predictable and the Group's funding more secure.

I. Setting our target

The ongoing basis

We look at the Group's funding assuming that the Group continues to operate into

the future as it does at the moment. This is called the 'ongoing basis'. The actuary helps us agree our objectives and a funding target for the Group. Regulations set out how we must work out these 'technical provisions', and what we must consider when we agree the assumptions to use. This means that our funding plan assumes that Hanson and HeidelbergCement will continue in business and support our plan. The ongoing basis is the basis used for the main figures in the annual funding statement.

The full solvency position

Under the Pensions Act 2004, we must also tell you about the Group's solvency if it started to wind up (come to an end) at the valuation date. This does **not** mean that the Company is thinking of ending the Group.

For the 'solvency valuation' the actuary looks at whether the Group had enough money at the valuation date to buy insurance policies to provide members' benefits. Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and their policy prices will include administration charges and a profit margin. This means that even if a scheme is fully funded on the ongoing basis, the solvency figure is likely to be less than 100%.

J. Monitoring the Group's progress

The Group Actuary carries out formal valuations every three years, and an actuarial review of the Group's progress for the years in between the formal valuations. In the valuation, the actuary works out the funding target (the amount the Group needs) and the funding level (the assets the Group has, calculated as a percentage of the funding target). Each time we check on the Group's funding we have the opportunity to adjust our plans. This may mean adjusting our assumptions to bring them into line with current thinking and changing experience, or changing the safety

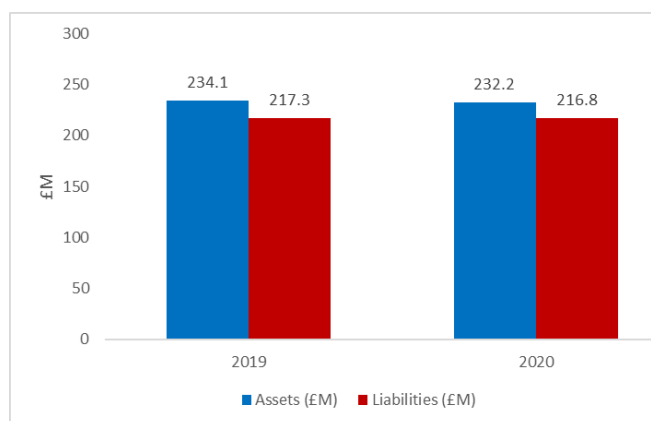
margin we've allowed if we are feeling more cautious or more confident. Depending on the target we set and the Group's progress, we may need to adjust our action plan, which sets out the planned contributions to the Group.

The Summary Funding Statement shows you the results of the actuary's latest valuation at 31 March 2019, as well as an estimate of the position as at 31 March 2020.

K. Your Annual Funding Statement

Progress of the funding plan since 31 March 2019

The chart below illustrates the changes in the funding level of the Group since 31 March 2019.



Note: The market value of the Group's assets at 31 March 2020 (£232.2M) comprises invested assets of £231.4M and net current assets of £0.8M.

The solvency position

If the Group had been wound up at 31 March 2019, it would have had 100% of the assets required by an insurer to fully secure the benefits. The corresponding percentage at 31 March 2020 was 101%.

The funding plan

Given the continued improvement of the Group's funding position since payments from the Company were ceased on 31 March 2017, the Company continues to make no payments to the Group.

HeidelbergCement continue to guarantee a proportion of the Group's liabilities over the period until December 2024.

We must also tell you if there have been any payments to the Company out of Group funds in the last twelve months. There have not. The Pensions Regulator can change the Group, give directions about working out its technical provisions or impose a schedule of contributions. We are pleased to say that it has not needed to use its powers in this way for our Group.

We have discussed our funding plan with the Company.

The bigger picture

In the previous statement, we gave you information based on the position at 31 March 2018. That showed that the Group had a surplus. The value of the Group's assets was 107% of the value of its liabilities (the benefits promised to members). The position has therefore remained broadly the same since then.

The Pension Protection Fund

If the Group starts to wind up before you retire, the Company has to pay whatever the Group needs to buy the insurance policies for members. If the Company becomes insolvent, the Pension Protection Fund (the PPF) may step in and pay compensation to members. There are more details on the PPF website at www.pensionprotectionfund.org.uk.

L. Developing our investment policy

Alongside all the work we do to monitor and plan the Group's funding we also develop an investment policy to support it. In developing our investment policy, we take into account the Group's particular needs. This means that our policy is closely linked to the nature of the Group's liabilities and its current funding position.

The returns on the Group's investments are made up of:

- income (for example share dividends and interest payments); and to a lesser extent
- growth in the value of the investment (for example as share prices rise, the value of share investments increases).

The table compares the characteristics of the Group's liabilities with the type of returns that will support these.

The Group will need money for	The Investment needs to provide
Regular pension payments, both existing and those which are due to start in the future	Regular income, both now and in the future
Increases to the pensions each year linked to price inflation	Enough growth to cover price inflation
Payments that will need to be supported for longer (as life expectancy increases)	Some potential for higher growth

To provide the mixture of growth and income the Group needs, our investment strategy aims to use a mix of different types of assets.

At 31 March 2019 and 31 March 2020, the proportions held in each of the major assets classes were as follows:

	31 March 2019	31 March 2020
Global Equities	5.1%	4.8%
Bonds	88.3%	84.9%
Cash and other	6.6%	10.3%

You can find out more from the Group's Statement of Investment Principles.