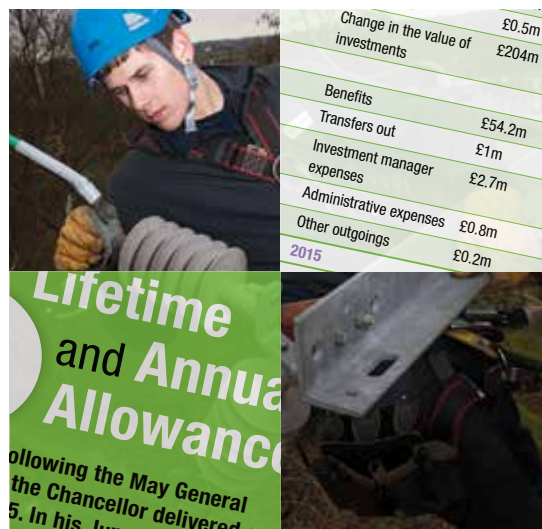


Life after work

Pension news for the
Defined benefit section
September 2015



INSIDE

Welcome | Investment news | Freedom and Choice & AVCs
Pensioner briefings | Budget changes to tax limits
State Pension
AND MORE...

electricity
north west

Bringing energy to your door

Welcome to the latest edition of 'Life after work'



Welcome to the latest edition of our newsletter.

Pension issues have again been in the spotlight this year and we've included an update on the latest changes for your information. We have also included an article on the changes in State Pension. If you are already over State Pension Age you should have received our leaflet in August telling you about the opportunity to increase your State Pension.

As usual we cover an update on the financial health of the scheme together with details of the upcoming pensioner briefings.

We said goodbye to Peter Gregory during the year. Peter had been a trustee for many years but decided not to stand for re-election this time. I am sure you will join us in passing our best wishes to Peter and his family for this second phase of his retirement. You appointed Malcolm Sugden in his place and Malcolm has been spending time since February getting up to speed.

I hope you find this newsletter interesting and helpful. If you do have any questions or feedback about this edition, or have suggestions for articles to be included in future editions, please get in touch with the Pension Team whose details are on the back page.



Bob Armstrong OBE
Chairman



Trustee ballot

The Trustee Board consists of eight Trustee Directors, four appointed by the Company and four by the members.

The member appointed positions last for four years and we run a ballot every two years for two of the positions. Two of the positions (Peter Gregory and John Leigh) came up for re-election in February 2015 and we asked you for nominations in late 2014. As Peter decided not to stand for re-election we ran a ballot with John being re-elected and Malcolm Sugden being newly appointed.



Peter Gregory



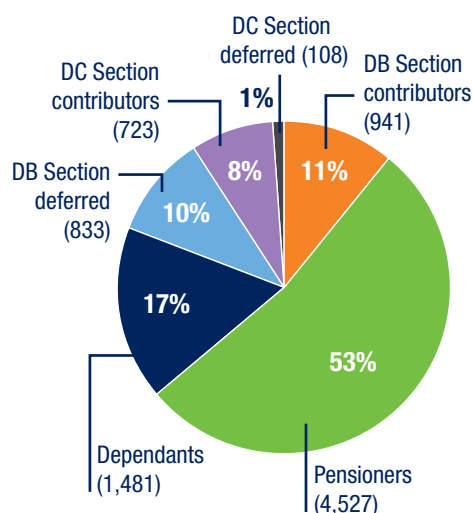
Malcolm Sugden

Malcolm took early retirement from the Company in 2010 after 34 years' service in many different roles, the last one being Finance Director. Malcolm was also a Trustee Director previously, from 2006 to 2010. We are delighted to welcome Malcolm to the Board.

One of the Company appointed Directors, Catherine Rix, resigned from the Board in May 2015. Her replacement is expected to be appointed by December 2015 and we will let you know who this is in due course. We would like to thank Peter and Catherine very much for all their hard work as Trustee Directors.

Scheme accounts for the year to 31 March 2015

Membership data:



A full set of audited accounts are prepared each year. You can find the full Trustee Report and Financial Statements on the Volt or the Company website, or you can ask the Pension Team for a copy. The main figures for the Defined Benefit section are:

Defined Benefit Fund account:

| | | |
|--------------------------------|------------------------------------|------------------|
| Assets at 1 April 2014 | | £1,091.4m |
| Income | | £220.5m |
| | Contributions | £16m |
| | Transfers in | £0.5m |
| | Change in the value of investments | £204m |
| Outgoings | | £58.9m |
| | Benefits | £54.2m |
| | Transfers out | £1m |
| | Investment manager expenses | £2.7m |
| | Administrative expenses | £0.8m |
| | Other outgoings | £0.2m |
| Assets at 31 March 2015 | | £1,253m |



Membership numbers as at 31 March 2015
Total members: 8,613

Trustee Meetings

During the year, the main Trustee Board met four times. There are also five sub-committees, which have responsibility for, and take decisions on, different areas of the Group: Administration, Audit, Governance, Investment and Defined Contribution. Between them, the sub-committees met 14 times during the course of the year.

The Trustee's investment powers

The Trustee is responsible for deciding the investment strategy for the pension scheme and can choose to make investments such as stocks and shares in companies ('equities'), government stocks ('gilts') and property. A range of 'alternative' investments such as hedge funds and derivatives are also available.

The Trustee's powers to invest are set out in the trust deed and rules as well as in some legislation. We have to consult with the Company over investment decisions too. Our main duty is to act in the best financial interests of all our beneficiaries. All investment decisions are taken after receiving advice from professional investment advisers.

The Trustee must also have a written Statement of Investment Principles (SIP), which sets out the principles governing how decisions about investments are made. The SIP must be reviewed at least every three years and whenever there has been a significant change in investment policy. You can view our SIP on the Volt and the Company website.

Investment and funding news

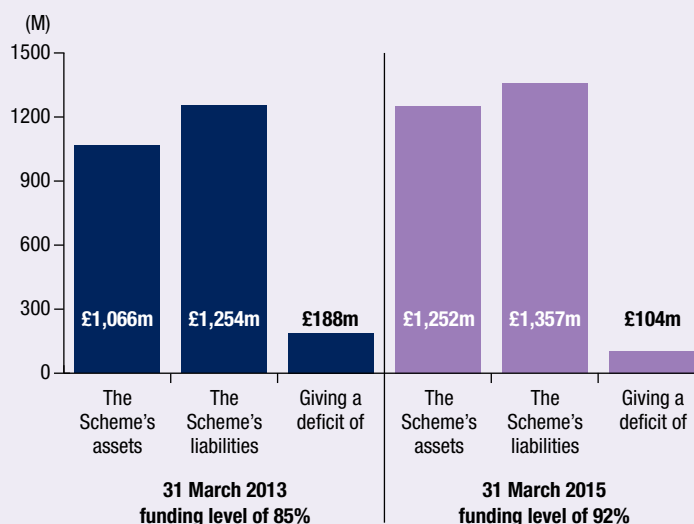
Investments

We told you last year about the de-risking plan we have put in place. This time last year we had gone through three of the trigger points. This means that we have moved some monies out of the growth type assets and into bonds. We held around 43% in bonds and long lease property two years ago and this is now around 78%.

Where the assets are invested (as at 31 March 2015)

| Manager | Type of asset | Current % | Target % | Amount £ |
|---------------------|-----------------------------|-----------|----------|----------|
| Origin | Unconstrained global equity | 4.6 | 3 | 57.3 |
| THS | Unconstrained global equity | 3.8 | 3 | 47.2 |
| L&G (Global Equity) | Passive global equity | 0.9 | 0 | 10.8 |
| Gottex | Fund of Hedge Funds | 6.7 | 7.5 | 84.3 |
| Morgan Stanley | Secondary market property | 2.3 | 3.5 | 29.0 |
| Partners | Secondary market property | 1.7 | 3.5 | 21.4 |
| Carlyle | Distressed debt | 1.4 | 3.5 | 17.6 |
| M&G | Long lease property | 7.1 | 7 | 88.1 |
| L&G and Insight | Bonds | 52.9 | 69 | 661.6 |
| | | 17.7 | | 221.8 |
| BNYM | Cash | 0.9 | 0 | 11.7 |

This year we have consolidated some of the changes and started a rebalancing of our bond portfolio. We appointed Insight last year and have just recently appointed BlackRock. Both are bond managers and have been appointed to diversify some assets away from Legal and General as our bond portfolio increases. You will see that we have also moved some monies away from THS and Gottex as part of the de-risking process. Don't forget that a de-risked funding position is good for members as it makes the pension scheme less reliant on its sponsor - the Company - for cash funding in future.



Pensioner briefings

Monday 5th October

2pm - Best Western
Castle Green Hotel,
Kendal

We will be holding our pensioner briefings again this year and would like to invite you to come and meet the Pension Team and Trustee Directors. This is your chance to

Friday 9th October

11am - Elm-Bank
Banqueting &
Conference Centre,
Eccles

ask any questions you may have about the scheme and to catch up with old friends and colleagues. The dates and locations for the briefings this year are:

Thursday 22nd October

11am - Macdonald Tickled
Trout Hotel, Preston



Retired pensioner association

We were delighted to receive this photograph, taken in July, of the Kendal Branch of the retired Norweb employees association.

We understand the group had just enjoyed a summer lunch at the Netherwood Hotel in Grange over Sands.

The group also holds annual general meetings in around April and this year raised £100 for charity at their meeting. The Christmas lunch is scheduled for Thursday 17 December. If you would like to be put in touch with the association do let us know.

Summary **Funding Statement**

Our Scheme Actuary carried out the last formal valuation of the scheme at 31 March 2013. Formal valuations are conducted at least every three years and it is these valuations that determine the contributions that have to be paid by the Company.

The Scheme Actuary has updated the pension liabilities to 31 March 2015 and we are pleased to report that the funding level has improved to 92%, giving a deficit of £104m. This is a significant improvement on the valuation result at 31 March 2013 and much of this is a result of our investment strategy. We have also benefitted from a rise in the gilt yield rates used by the Scheme Actuary to value the pension liabilities and from the additional contributions paid into the scheme by the Company. We have a very strong employer that can support the scheme and so the deficit should not cause you concern.

Recovery Plan

The Trustee has agreed a Recovery Plan with the Company. This sets out how the Company will help to reduce the deficit by paying additional contributions every year up to 2025. The Company has agreed to make annual payments of £11m in 2015/16 rising to £21.2m in 2024/25 to help reduce the deficit. The payments needed will be reviewed at each valuation.

Payments to the Company

The rules of the Group don't allow for any payment of assets back to the Company unless it is wound up and has surplus assets. There have been no such payments.

The Pensions Regulator

We are required to tell you if the Pensions Regulator has used its powers in relation to the funding of the Group – we are pleased to confirm that it has not had to use its powers.

Solvency

The Regulator also requires that we tell you what the deficit would be if the Group was wound up. At 31/3/13 this figure was £511.2m. There are no plans to wind up and this note is included to meet the Regulator's requirements.

Freedom and Choice

Changes to how you can take your benefits.

The Government has now finalised changes to the way you can take your pension benefits and we wrote to employees recently with some information about this. Most of these changes affect members of our defined contribution (DC) section. As a member of our defined benefit (DB) section, the proposed changes do not affect you directly unless you have paid additional voluntary contributions (AVCs) on a DC basis, and you are still working.

The Government has introduced the following changes for DC members:

- Members do not have to buy a pension when they reach age 75;
- Members can take all of their fund as cash, but only 25% will be tax-free with the rest being taxed at the member's highest rate;
- There is more flexibility around how much and how often money can be taken out (called income drawdown).

As a DB member, you can access these new flexibilities by transferring your pension when you are close to retirement to a DC pension provider, such as an insurance company. However, transferring out of our scheme means you would give up all of your defined benefit protections around the amount of pension you will receive at retirement.

You can transfer out of the scheme at any time before you take a pension - previously you were only allowed to take a transfer up to 12 months before your normal retirement date but the Company has now agreed that this time limit can be removed.

AVCs

If you are currently contributing into the scheme you can also pay additional voluntary contributions (AVCs) to provide extra benefits when you retire. If you have built up AVCs on a DC basis, you will also be able to use your AVC pot to access the new DC flexibilities as explained above.

The Government has set up Pension Wise, a free and impartial advice service to help with DC pension choices and this is also available to members with AVCs on a DC basis. You can contact them at www.pensionwise.gov.uk, via telephone from the Pensions Advisory Service on 0300 123 1047, or face to face at your local Citizens Advice Bureau.

If you are interested in paying AVCs you can contact the Pension Team for more information.

Budget changes

Lifetime and Annual Allowances



Following the May General Election, the Chancellor delivered a second budget for 2015. In his July budget, he made further changes to the Lifetime and Annual Allowances.

The **Lifetime Allowance** is the limit on pension savings that you can have at retirement without triggering a tax charge. Last year we told you this had reduced from £1.5 million to £1.25 million. This will now reduce further, to £1 million, from April 2016. The Pension Team monitors the value of your pension from our scheme and will get in touch with you if they think you are likely to breach the limit.

The **Annual Allowance** is the total increase in your pension benefit you are allowed each year, tax-free. This was reduced in April 2014 from £50,000 to £40,000. From April 2016 this will be reduced further on a sliding scale from £40,000 (for people earning over around £150,000) down to £10,000 (for people earning over £210,000). Again the Pension Team will monitor this for you and let you know if you are likely to incur any tax.

These limits only affect the tax relief you get on pension contributions - you can contribute more you just won't get tax relief on anything over the limits above.

DON'T FORGET - contributions made by the Company count towards your total.



Pension scams

For the last couple of years we have told you about pension liberation fraud where scammers entice pension scheme members to transfer their pensions to a bogus pension scheme by claiming they can access their benefits before age 55 or promising more than 25% of their fund as cash. The law has now changed from April 2015 so you can now take more than 25% of your benefits as cash, but pension scams continue.

What to do if you think you have been targeted:

- Do not rush into making a decision
- Make sure the person contacting you is authorised by the Financial Conduct Authority by checking on www.fca.org.uk/register
- Get in touch with the Pension Team to raise your concerns
- Call the Pensions Advisory Service on **0300 123 1047** for information and advice about pension scams.

A copy of the Pension Regulator's latest 'Scorpion leaflet' about pension scams is included with this newsletter and will help you find out more information to protect yourself or if you think you may have been targeted.

State pension changes

New State Pension from April 2016

The State Pension is currently made up of two parts; the Basic State Pension and the Additional State Pension (called the State Second Pension, and previously called SERPS).

The Government has now finalised changes to the state pension which will affect you if you reach state pension age on or after 6 April 2016. The current basic and earnings-related state pensions will be replaced by a single tier pension (called the Universal State Pension) of at least £151.25 per week for someone with a full national insurance contribution record.

As you have been contracted out of the Additional State Pension you may not receive the full single tier pension. However the Government has promised that you will be no worse off than under the current system.

If you will have reached your state pension age before 6 April 2016 your state pension will be unaffected by the changes. The Government will also give you the opportunity from October 2015 to boost the pension you receive from the State by a maximum of £25 per week, by paying additional National Insurance Contributions (NICs). This scheme will be open for 18 months only, from 12 October 2015 to 5 April 2017 and is entirely voluntary.

If you want to consider boosting your pension from the State, you should weigh up the costs of paying these extra National Insurance

Contributions against the likely increase to your pension income. You might also want to take other things into account such as whether or not you are married and your long term health.

You can calculate the costs to you by using the online State Pension top up calculator:

www.gov.uk/state-pension-topup

The Government has also announced changes to State pension ages in the future. This will increase from 65 to 67 between 2026 and 2028 and there are plans to increase it further to 68 between 2044 and 2046 although this timescale may change.

The end of Contracting Out

Our DB section is currently opted (or contracted) out of the Additional State Pension. In return you will have been paying lower National Insurance Contributions (NICs) whilst working.

The Government is removing this option from 6 April 2016 as it is introducing the new higher state pension - the Universal State Pension.

If you are still working this means your Class 1 NICs will increase by 1.4% of your relevant earnings and you will be eligible for the higher state pension.

ESPS AGM 2015

This year's ESPS AGM will be held on Tuesday 24 November 2015 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2HS and will start at 1pm.

The Scheme Annual Report and Financial Statements, the Auditor's Report and the Report of the Scheme Trustee will be received at the meeting and any general business, including the consideration of any Resolutions proposed by the members, will be conducted. The meeting relates to the whole of the ESPS, not just the Electricity North West Group and all members of the ESPS Scheme are welcome to attend.

IMPORTANT!
Pension scams are
on the increase
Call **0300 123 1047**

Pension increases 1 April 2015 for pensioners in protected category

Pension Increases

Pensions were increased by 2.3% from 1 April 2015 for pensioners in our protected category.

All pensioners received a letter prior to April from RPMI EPAL giving details of how their pension was calculated.

Keep in Touch

Do keep in touch and let us know if you change your address. If you have left the Company, please contact our administrators, RPMI EPAL. Note that the email address for enquiries has changed this year. Current employees should contact HR Services to let them know of any changes.

And, of course, if you have any questions please contact the Pension Team!

You can contact our administrators RPMI EPAL directly:

- by telephone on **02476 472 580**
- by email at **enquiries@rpmico.uk**
- via the website at **www.rpmico.uk**
- by letter to RPMI EPAL, Unit 2, Rye Hill Office Park, Birmingham Road, Coventry, CV5 9AB

You can contact the Pension Team in the following ways:

- by telephone on **0843 311 4531/2**
- by email at **pensionsandreward@enwl.co.uk**
- website at **www.enwl.co.uk**
- by letter to Mrs Fiona Brown, Group Secretary, Electricity North West, 304 Bridgewater Place, Birchwood, Warrington, WA3 6XG

Please remember to quote your name, date of birth and National Insurance number to help us deal with your enquiry as quickly as possible.

Other useful contacts

The Pensions Advisory Service (TPAS)

Free independent information and guidance on pensions

www.pensionsadvisoryservice.org.uk

The Pensions Regulator

The UK regulator of work-based pension schemes

www.thepensionsregulator.gov.uk

Pension Tracing Service

Trace a personal or company pension scheme

www.gov.uk/find-lost-pension

Department for Work and Pensions

Find out how to plan your pension and what you need to do as you near retirement age

www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm

Independent Financial Advice

Find an independent financial adviser near you

www.unbiased.co.uk

Pensions Ombudsman

Investigates complaints about how pension schemes are run

www.pensions-ombudsman.org.uk

The Money Advice Service

Provides information and tools to help you manage your money

www.money.madeclear.org.uk

Financial Conduct Authority

www.fca.org.uk

Pension Wise

www.pensionwise.gov.uk

Your Pension Team

Trustees

Appointed by the Company

Bob Armstrong OBE - Chairman (Independent)
Bill Ashburner (Independent)
Paul Briggs

Member Elected

Chris Dooley
John Hodgkinson
John Leigh
Malcolm Sugden

Advisers

Pension Team

Fiona Brown
Helen Daly
Joanna Northall

Administrator

Electricity Pensions Administration Limited (RPMI EPAL)

Group Actuary

Chris Vaughan-Williams of Aon Hewitt Limited

Auditor

PricewaterhouseCoopers LLP

Investment

KPMG LLP

Scheme Custodian

The Bank of New York Mellon

Legal

Sacker & Partners LLP

AVC Provider

BlackRock

You can contact our AVC administrator (RPMI) directly:

- by telephone on **0345 600 2050**
- by email at **enwl@rpmico.uk**
- via the website at **www.rpmico.uk**
- by letter to RPMI, PO Box 331, Brinkburn Road, Darlington, DL1 9PR