



Pension news for the Defined Benefit section

September 2016



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Welcome to the latest edition of 'Life after work'



The Trustee and Pensions Team have been working hard to look after the scheme over the last 12 months and some of the main events are included in this newsletter.

As we are in a Valuation year (this happens every three years), we won't be providing a Summary Funding Statement this year. The next one will be provided as part of the 2017 Newsletter. Ongoing discussions are taking place between the Trustee Board and the Company with a view to finalising the valuation and scheme funding plans before June 2017.

A very important element of the Group Scheme's financial security is the Company's 'covenant'. This is the Company's ability and willingness to support the Scheme. The Trustee is responsible for monitoring and evaluating the strength of the covenant, and this is particularly important as part of the actuarial valuation process. To assist in this process we have recently appointed Penfida to carry out a covenant assessment on our behalf. Penfida is a leading independent corporate finance advisory firm focused exclusively on supporting and advising pension fund trustees.

As you will be aware on 23 June the UK population voted in favour of exiting from the European Union. Whilst the result of the EU referendum was clearly not the ideal outcome for our investment portfolio, we expect that it has been protected to a degree due to the way it is structured. Our Investment advisers KPMG, have advised that there is no action required at this stage, however as a Board we will be monitoring the situation very closely and discussing with them any longer-term implications, along with any recommended actions, in due course.

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.

A handwritten signature in black ink, appearing to read 'Bob Armstrong'.

Bob Armstrong OBE
Chairman

People Changes

We've had a few changes recently, both to the Trustee Board and to the Pensions team here at Electricity North West.

Fiona Brown left the Company in May 2016. Colin Ross has joined Electricity North West as Interim Head of Pensions.

Bob Armstrong has decided to stand down as a Trustee Director (and Chairman) once the Actuarial Valuation process has been completed (expected early 2017).

Paul Briggs has left the Company and is therefore no longer a Trustee Director.

Malcolm Sugden will shortly become a Company appointed Trustee Director (as a replacement for Paul), and will take over as Chairman once Bob leaves his role. A handover process is already underway.



Pension team

Membership numbers as at 31 March 2016

Total members: 8,495

Your Trustee Board

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

Trustee meetings

During the year, the main Trustee Board met four times. There are also four 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 previously separate Audit and Governance Sub-Committees merged in January 2016.

Our most recent Trustee appointment was Sally McGuire. Sally is Head of Talent and Resourcing at the Company, and was appointed as a Company Appointed Board member on 1 June 2016.

The member appointed positions last for four years and we run a ballot every two years for two of the positions. John Hodgkinson and Chris Dooley reach the end of their terms of office in March 2017 and will both stand for re-election in autumn 2016.



Sally McGuire

A focus on a Trustee Director



Chris Dooley Senior Protection Engineer

Chris is a Senior Protection Engineer in South Operations, based in Whitegate Depot, Chadderton.

Chris Dooley has been a member nominated Trustee Director of the Group for 5 years, and also chairs the Defined Contribution Sub-committee and is a member of the Audit and Governance Sub-committee.

Chris joined Norweb as an Engineering Graduate Trainee in September 1989 and has held various operational engineering roles in Manchester and Peak areas. Chris holds a BSc (Hons) in Electrical and Electronic Engineering from the University of Manchester and is also a member of the Institute of Engineering Technology and a Chartered Engineer.

Chris is also currently a member of the Branch Executive Committee of the Prospect Trade Union, leading on pension issues.

What made you want to become a Trustee?

A retiring trustee gave a presentation at a Prospect Trade Union meeting, asking if anyone would consider standing for election as a trustee. The other Prospect representatives thought I should consider standing. I think they thought I might be suitable, as they knew my wife worked in the financial sector!

I discussed the role further with Electricity North West's Head of Pensions and other trustees and concluded that it was something I could undertake with the right support.

I felt it was a challenge outside my engineering work and I felt my trade union experience gave me the representation skills required as a Trustee.

What do you find most rewarding about the role?

Since I joined the Trustee Board in February 2011, I have never stopped learning. The Trustees have regular training sessions from our actuarial, investment and legal advisors. We also attend conferences and complete on-line training to ensure we keep up to date with new developments. I have really enjoyed learning new skills very different to my engineering work.

It has also been very rewarding to assist individual members on pension issues. I am very grateful to the Pensions Team for supporting the Trustees with their detailed knowledge of the schemes.

What do you do to relax, or spare time, hobbies, etc?

I play keyboards and produce music. I also live in an old farmhouse so there are always plenty of maintenance jobs to be done.

What do you think of it so far, and what do you think is the greatest challenge facing trustees of pension schemes?

I have really enjoyed being a Trustee. I found it daunting at first, particularly with the large sums of money involved. However, with the support from my Trustee colleagues, the Electricity North West Pensions Team and the scheme's advisors together with the training I have received has meant that I have been able to become more comfortable in the role.

I believe the greatest challenge for the defined benefit section is balancing the requirements of the Pensions Regulator and OFGEM. The Pensions Regulator requires trustees to ensure that schemes are well funded. The funding of the scheme relies on Electricity North West who must demonstrate that pension costs are efficient to OFGEM, which represents electricity customers.

On the defined contribution section, ensuring the best possible outcome for members and guiding them to make appropriate choices during their career and at retirement are the most important current issues for the Trustees. This has been made more challenging with recent changes to pension rules.

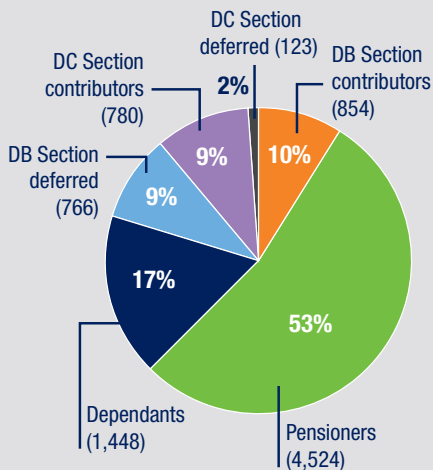
What's one piece of guidance you would give someone about their pension?

The guidance I would give to current employees is to invest as much as you can afford as soon as you start working at Electricity North West. Our defined contribution section is among the best in the electricity sector. The company's contributions together with the tax advantages mean that extra money will be invested for your pension.

Scheme Accounts for the year to 31 March 2016

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:

Membership data:



Defined Benefit Fund account:

Assets at 1 April 2015	£1,253.0m
Income	£20.5m
Contributions	£28.2m
Transfers in	£0.2m
Change in the value of investments	(£7.9)m
Outgoings	£66.6m
Benefits	£57.5m
Transfers out	£5.1m
Investment manager expenses	£3.1m
Administrative expenses	£0.8m
Other outgoings	£0.1m
Assets at 31 March 2016	£1,206.9m

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.

Investments

The Trustee objective is to hold a portfolio of suitable assets which will generate investment returns to meet, together with future contributions, the benefits of the Group as they fall due.

The Group Trustee sets the investment strategy for the Group taking into account considerations such as the strength of the employer covenant, the long term liabilities and the funding agreed with the employer.

The current strategy is to hold broadly:

- 76% in investments that move in line with the long term liabilities of the Group e.g. Bonds, Liability Driven Investments (LDI) and Long Lease Property.
- 24% in return seeking investments comprising Equities, Global Property Secondaries, Hedge Fund and Distressed Debt.

Where the assets are invested (as at 31 March 2016)

Manager	Type of asset	Current %	Target %	Amount £m
Origin	Unconstrained global equity	4.5	3	54.0
THS	Unconstrained global equity	3.6	3	43.6
L&G (Global Equity)	Passive global equity	1.3	0	15.8
Gottex	Fund of Hedge Funds	7.0	7.5	84.9
Morgan Stanley	Secondary market property	2.3	3.5	28.0
Partners	Secondary market property	2.0	3.5	24.0
Carlyle	Distressed debt	2.7	3.5	32.0
M&G	Long lease property	7.6	7	91.0
L&G and Insight	Bonds	50.0	69	602.0
		18.1		218.2
BNYM	Cash	0.8	0	9.3



Next Actuarial Valuation

Our Scheme Actuary carried out the last formal valuation of the scheme at 31 March 2013. The next formal valuation is being performed as at 31 March 2016. The Trustees are currently liaising with the Company and expect to complete the valuation process before the statutory deadline of 30 June 2017. We will then be able to update you on Scheme Funding as part of the 2017 Newsletter.

Freedom and Choice

Changes to how you can take your benefits

The Government changed the way you can take your pension benefits and we wrote to you last year 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.

The changes introduced 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.

Another change introduced at the same time as Freedom and Choice was an increase in the limit for taking 'small'

Defined Benefit pensions as a lump sum in certain circumstances. The previous limit was pension benefits valued at less than £18,000 this has been increased to pension benefits valued at less than £30,000. If your total pension savings (in all schemes, not just the Electricity North West Group of the Electricity Supply Pension Scheme) are worth less than £30,000, you may be able to take your benefits from the Scheme as a single lump sum payment when you retire, instead of having to receive a small annual pension. Subject to HMRC conditions and limits up to 25% can be taken as a tax free lump sum and the rest will be taxed at your marginal rate of income tax.

AVCs

If you are currently contributing into the scheme you can also pay additional voluntary contributions (AVCs) to provide extra benefits when you retire, on a DC basis.

It's up to you whether or not to pay AVCs but here are a few reasons why they might be worth considering:

- AVCs benefit from tax savings. Tax relief is limited to 100% of your earnings but AVCs will count toward your annual and lifetime allowances for tax purposes

- At your retirement date, you have the option of taking your AVCs in any one of the following ways:

- Put them towards your tax-free cash lump sum at retirement.
- Buy additional pension through the scheme.
- Buy an annuity (pension) with an insurance company.

Transfer out your AVCs to another pension provider to take advantage of 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 joined the pension scheme before 31 March 1990, you may be able to use your AVCs to buy added years. Please contact the Pension Team if you think this applies to you.

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



Pensioner briefings

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 ask any questions you may have about your benefits and to catch up with old friends and colleagues.

The dates and locations for the briefings this year are:

7th October 2016 at 2pm

Venue:
Best Western Castle Green Hotel,
Castle Green Lane, Kendal LA9 6RG

12th October 2016 at 11am

Venue:
Elm-Bank Banqueting & Conference Centre,
46 Half Edge Lane, Eccles M30 9BA

14th October 2016 at 11am

Venue:
Macdonald Tickled Trout Hotel,
Preston New Road, Samlesbury,
Preston PR5 0UJ



Budget changes

Lifetime and Annual Allowances

You will recall that last year we informed you about some tax changes being made affecting pension savings. These changes have now taken effect for the 2016/17 tax year.

The **Lifetime Allowance** is the limit on pension savings that you can have without triggering a tax charge. This has now reduced from £1.25 million 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 allowance is currently £40,000, however it has been reduced further from April 2016 for higher earners on a sliding scale from £40,000 (for people earning up to around £150,000) down to £10,000 (for people earning over £210,000). Again the Pension Team will monitor this for you in respect of our pension scheme and let you know if you are likely to incur any tax.

State Pension changes

New State Pension from April 2016

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

From April 2016 the State Pension has changed and if you reach State Pension Age on or after 6 April 2016 you will receive the new State Pension. This replaces the Basic and Additional State Pensions with one single amount. The full new State Pension is £155.65 per week.

Your National Insurance Record is used to calculate your new State Pension. You'll usually need 10 qualifying years to get any new State Pension. The amount you get can be

higher or lower depending on your National Insurance record. It will only be higher if you have over a certain amount of Additional State Pension.

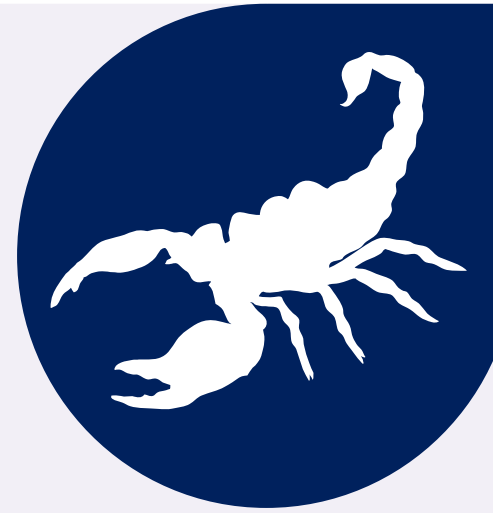
If you are already over State Pension Age, or you reached your State Pension Age before 6 April 2016, you will continue to receive your State Pension as now and it will not change as a result of the introduction of the new State Pension.

The end of Contracting Out

Last year we provided information about the Government removing the option for Defined Benefit schemes to be contracted out of the Additional State Pension. This has now taken effect from 6 April 2016. As a result if you are a current contributor to the Defined Benefit Scheme your Class 1 NICs have been increased by 1.4% of your relevant earnings and the Company's NICs have increased by 3.4%. No changes were made to the benefits you get from, or the contributions you pay to, the Scheme.



Pension scams



As we have informed you in previous years, scammers are after your pension pot. They know you can now access your savings in new ways and will try to lure you with promises of upfront cash and one-off 'deals' with guaranteed high returns. Learn how to spot the signs and give yourself the best possible protection against pension predators by following the **Pension Regulator's ten-step guide**.



1. Be wary of cold calls and unsolicited texts or emails

Scammers will often claim they're from Pension Wise or other government-backed bodies. These organisations would never phone or text to offer a pension review.



2. Check everything for yourself

People have fallen for scams because they'd been 'recommended by a friend'. Do your homework, even if you consider yourself to be financially savvy - false confidence can lead to getting stung.



3. Make sure your adviser is on the Financial Conduct Authority approved register

Pensions scammers may pose as financial advisers. Check to make sure yours is registered on the FCA website.



4. Check the FCA's list of known scams

Visit the FCA's scamsmart to see if the deal you're being offered is a known scam.



5. Steer clear of overseas investment deals

Well-known scam types include unregulated investment in a hotel, vineyard or other overseas opportunities, and where your money is all in one place - and therefore more at risk.



6. Don't fall for 'guaranteed' returns or professional looking websites or brochures

You can never guarantee returns on an investment, and anyone can create a smart website or brochure these days. Question everything, however credible it sounds or looks.



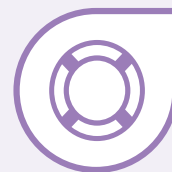
7. Don't be rushed into a decision

Scammers will try to pressure you with 'time limited offers' or send a courier to your door to wait while you sign documents. Take your time to make all the checks you need - even if this means turning down an 'amazing' deal.



8. If you're aged 50 or over and have a DC pension, talk to Pension Wise

Pension Wise is there to help you investigate your retirement options. Visit the Pension Wise website for more information (and to check what kind of pension you have).



9. Ask The Pensions Advisory Service for help if you have doubts

You can call them on **0300 123 1047** or visit the TPAS website for free pensions advice and information.



10. Contact your Pension Team and call Action Fraud if you've already signed and think you've been scammed

If you've already signed something you're now unsure about, call Action Fraud on **0300 123 2040** and contact your pension team immediately. They may be able to stop a transfer that hasn't taken place yet.

Thousands of people have lost their life savings after falling for a pension scam.

Don't be next

ESPS AGM date and details

This year's ESPS AGM will be held on Wednesday 23rd November 2016 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2HS and will start at 1 pm. 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 Scheme are welcome to attend.

Pension increases 1 April 2016 for pensioners in protected category

Pensions were increased by 0.8% from 1 April 2016 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. 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 Mr Colin Ross, 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.moneymadeclear.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)

Sally McGuire

Member Elected

Chris Dooley

John Hodgkinson

John Leigh

Malcolm Sugden

Advisers

Pension Team

Helen Daly

Joanna Northall

Colin Ross

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

