electricity north west
Bringing energy to your door

Investment choices

Electricity North West Group of the Electricity Supply Pension Scheme

Defined Contribution Section

Please keep this booklet for future reference
July 2018

Contents

A good quality pension scheme

The Defined Contribution section has been awarded the Pension Quality Mark Plus by the Pensions and Lifetime Savings Association (PLSA). This prestigious award is given by the PLSA to pension schemes that meet a minimum level of contributions (15%, of which 10% must come from the employer), as well as having high quality management, administrative, and communication standards.

PENSION QUALITY MARK PLUS

Introduction

This booklet has been written to help you understand how your pension contributions will be invested. You should read it after you have read the Members' Guide.

We have made this booklet as simple as possible. If you want to learn more, please contact the Pensions Team who will be very happy to help.

A brief guide to investments

Types of fund

If you would like to, you can choose how the pension contributions that go into your Personal Account are invested. You have a number of different investment funds to choose from. If you are uncomfortable with making a choice yourself, read on to page 6 and you will see that there are alternatives for you.

The investment funds are run by investment managers and each fund will have millions or billions of pounds of pension contributions invested in it. Many different pension schemes will invest in each fund. The funds are all split up into units, and new contributions will buy new units. Pension administrators keep records of how many units each pension scheme, and each member, holds.

Every month when your contributions are invested, you will buy more units. The number of units you have will not go down, but the value of the units can go up and down depending on how well the investment fund does.

Most pension funds invest in equities, property, bonds and cash – or a mixture of those types of investments. Types of investments are called "asset classes".

Each asset class has different features (also known as "characteristics"). We have set out what the main features are:

Equities

Generally, equity funds:

- Are made up of stocks and shares in companies. They are traded on stock markets in the UK and overseas.
- Can fluctuate in value depending on the performance of the companies they are invested in.
- Are expected to experience the highest short-term changes in value (either up or down) when compared with property, bonds or cash.
- Are expected to offer higher long-term returns than property, bonds or cash.
- Are normally suitable if you have a long time to go to retirement (at least five years).

Property

Generally, funds that invest in property:

- Earn income from rent or through leases, and can also profit by selling properties that have risen in value over time.
- Invest in a variety of business sectors, such as commercial, industrial or retail.
- Are affected by changes in the value of the property they invest in – their value can go down or up.
- Are expected to offer higher long-term returns than bonds and cash.
- Often fluctuate less than equity funds, over short periods.
- Are not expected to have long-term returns as high as those of equities.

Bonds (including Gilts)

Generally, bond funds:

- Invest in bonds – which are loans to companies or the Government - for a fixed period.
- Receive interest on the amount loaned and a repayment of the loan at the end of the fixed period.
- Receive interest at a fixed rate (fixed interest) or a rate linked to inflation (index linked).
- Can rise and fall in value depending on how valuable the bond would be if it was traded.
- Give returns that are not expected to be as volatile as equities.
- Give returns that are more predictable than for equities.
- Are suitable for you if you are near retirement and will soon need to buy a pension.

Cash

Generally, cash funds:

- Are similar to a deposit account with a bank or building society.
- Are expected to provide lower returns over the long term than equities, property or bonds.
- Ensure that the value of your fund will not go down.
- Typically do not keep up with inflation. Inflation may reduce the real value of a cash investment fund over time.
- Help to protect any tax free cash amount from falls in value just before you retire.
- Are generally thought less suitable for you if you are a long way from retirement.

Investment management styles

There are two main styles of investment. Passive investment is when the investment manager just follows a market (so what everyone else is doing) and doesn't make decisions themselves. Active managers try to do better than everyone else by making their own investment decisions.

Passive management
Passive management (sometimes known as index-tracking) is the process of buying and selling investments to match the performance of a market index. For example, for the UK stock market, this could be the FTSE All-Share Index.

Passive managers hold almost all the different shares or bonds making up the index they want to follow. This means that passive fund returns should closely follow the index returns whether the index goes up or down. So, passive managers will give members average returns – not the best in that market, but not the worst either.

Active management
Active investment management is the process of buying and selling investments to try to perform better than the market index and other investment managers. Active funds can give better returns over the long term compared to passive funds. The opposite could also be true.

Many investors think it is difficult to pick an active manager that will always be one of the best performers. Other investors look closely at the way active managers make their decisions and if happy with that process will choose the active manager.

Charges for passive funds are usually lower than for active funds.

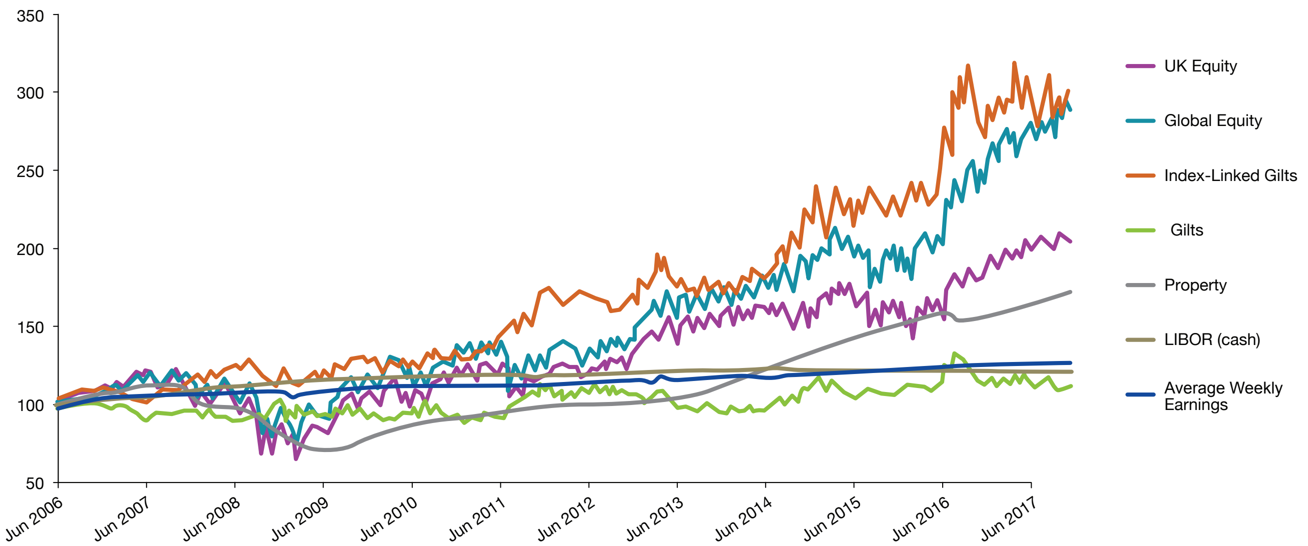
At retirement options

At retirement, you may use your Personal Account to buy a pension with an insurance company. These kinds of pensions are also known as annuities. The insurance company will take your personal account and invest it themselves. In return for doing this they will pay you an annuity for the whole of your life.

The bigger your Personal Account, the bigger your annuity will be. Insurance companies work out their annuity terms by looking to see what returns they are getting on their gilt investments. So because of this, the value of gilt investment funds move up and down in line with annuity pricing. Putting some or all of your Personal Account into a gilt fund close to retirement locks you into these annuity movements, and protects you from sudden downturns in equity investments.

You don't have to take an annuity at retirement. You could choose to take a taxable income directly from your pension pot, which remains invested. This is called income drawdown. More information about your options at retirement can be found in the 'At retirement' factsheet on the Volt and the company website.

Asset class performance comparison



Your options

When you join the Group you need to decide if you want to choose an investment fund yourself.

If you are not comfortable with choosing an investment fund yourself, you can opt for one of our Lifestyle strategies.

If you would like to make your own investment fund choices then you can opt for a 'self-select' investment strategy.

Lifestyle Strategies

If you do not want to be actively involved in choosing an investment fund, the Group has two lifestyle strategies that you can choose from.

Lifestyle strategies invest in funds that aim to increase the value of your Personal Account while you are some time from retirement. As you get nearer to retirement, your Personal Account is gradually moved to less risky investments to protect the value of the fund.

The Default Fund

If you don't choose an investment fund when you join the Group, your contributions and the Company's will be invested in the default (Flexible Retirement) Lifestyle Strategy. You will see from the graph below that your Personal Account is invested in an equity fund until 11 years before your retirement date, when funds start to move progressively from equities into a lower risk growth fund. In the final six years before retirement cash is also introduced.

The default lifestyle strategy is designed to suit members wishing to take a flexible approach to retirement. If you are planning on purchasing an annuity at retirement, our alternative (Annuity Target) Lifestyle Strategy may be more suited to you.

You can find further information on our lifestyle strategies in the Lifestyle Strategy Factsheet on the Volt and the Company website (**www.enwl.co.uk**).

Self select option

If you want to choose your investment funds yourself, a selection of funds is available. Details of all the funds available are on the Volt and the Company website.

Retiring Early

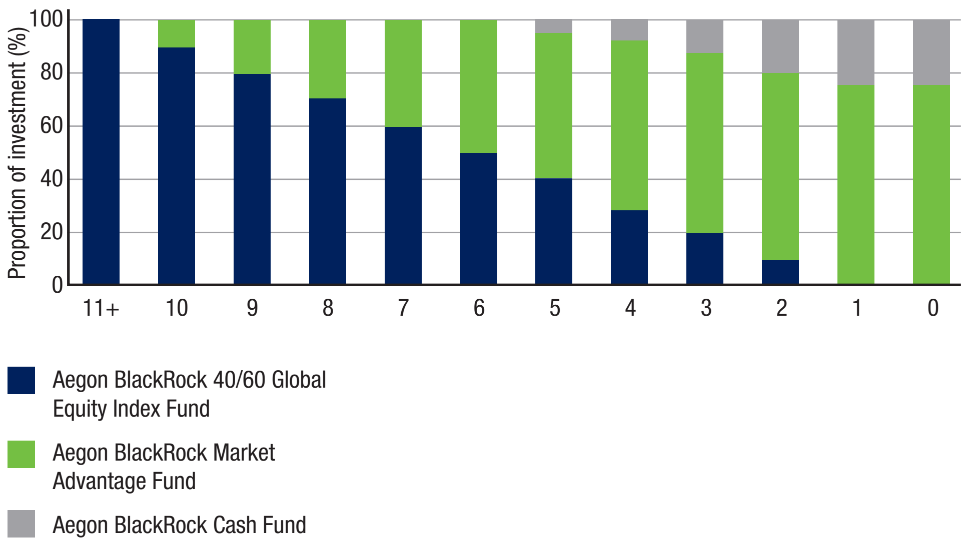
The Group's Normal Retirement Date is State Pension Age.

If your retirement plans change and/or you would like to retire before State Pension Age, you may want to change how your Personal Account is invested.

Further information

If you would like to find out more about any of the available funds, you should read the latest fund factsheets. These are available on the Volt and the Company website.

Default Lifestyle Strategy



Source: KPMG

Helping you choose

If you want to make your own choice about which funds you should invest in, there are a number of things you should think about:

- How long have you got before you plan to retire?
- Are you comfortable taking some risk?
- Do you understand how taking risk can affect your fund value at retirement?
- If you want to take little or no risk, do you understand that your fund might not keep pace with inflation?
- Do you have other savings or pension schemes that will give you a good income?
- Do you understand why equity investments move up and down over short periods of time?
- Have you worked out what income you need in retirement, and what investment returns you will need to get there?

Charges

When you invest in a fund, you pay an ongoing charge to the company managing the fund. The charge is shown as an annual percentage, but is calculated daily and factored into the price of the fund.

You should look at fund charges before you make a decision. Actively managed funds usually have higher charges than passive funds because they are trying to give better investment returns than other managers and be above average.

Thinking about these issues will help you choose the type of investment funds that might be right for you. You should take all of these issues and factors into consideration before making your investment decision. If you need more help, you might want to talk to a financial adviser.

Reviewing your decision

You can change your investment funds if you want to by logging on to your online pension account at **http://enwl.myesps.co.uk/** and making the changes yourself. Alternatively, you can fill in an 'Investment Change' form. Copies are available on the Volt and the Company website.

Further information

Electricity North West Pensions Team

If you have any questions about the information in this leaflet or need further details, you can contact the Pensions Team on:

Tel: ***0843 311 4530***

Email: ***pensions@enwl.co.uk***

Post: Pensions Team
Electricity North West
7th floor
Linley House
Dickinson Street
Manchester
M1 4LF

Financial advice

Whilst the Trustee and the Pensions Team can provide you with information about investment fund options, they cannot give you investment advice.

If you need advice, you might want to talk to a financial adviser. To find a financial adviser, you can contact Unbiased on:

Tel: ***0800 023 6868***

Web: ***www.unbiased.co.uk***

Pension administrator

RPMI is the administrator for the Defined Contribution Section. They also invest your contributions with Aegon into BlackRock managed funds. If you have any queries, RPMI can be contacted at:

Tel: ***0345 600 2050***

Email: ***enwl@rpmi.co.uk***

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