

# POWERHOUSE ESPS GROUP NEWSLETTER

**October 2017**

Dear Fellow Member

Welcome to our latest Newsletter. If you have not already done so, we would encourage you to register for Hartlink Online, Capita's online portal, which allows real time access to your pension record and other relevant information.

Please visit

[www.hartlinkonline.co.uk/powerhouse](http://www.hartlinkonline.co.uk/powerhouse)

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## ➤ **GROUP FUNDING – RESULTS OF 2016 ACTUARIAL VALUATION**

The actuarial valuation of the Group at 31 March 2016 has been signed off by the Trustees and the Company.

Attached as Appendix 1 is the Group Summary Funding Statement, prepared by Aon Hewitt, our Group Actuary, which sets out and comments on the valuation and financial position of the Group at 31 March 2016 and 2017.

## ➤ **UPDATE ON GROUP INVESTMENTS**

### **Value of Group Net Assets**

At 30 June 2017, this was £232.4m compared to £237.4m at 31 March 2017.

### **Group Investments at 30 June 2017**

(held in Legal & General Pooled funds)

	<u>£m</u>	<u>%</u>
World Equity	12.8	5.5
Corporate Bonds	16.6	7.1
Index-Linked Gilts	175.2	75.4
Cash	<u>27.8</u>	<u>12.0</u>
	<b>232.4</b>	<b>100%</b>

Over the one-year and three-year periods to 30 June 2017, the Group's assets have the returned 9.6% and 13.2% p.a. respectively.

## ➤ **MEMBER DATA**

### **CURRENT MEMBERSHIP OF GROUP AT 30 JUNE 2017**

Pensioners: 1,676  
Deferred: 275  
Dependants: 147  
2,098

## ➤ GMP DATA

As mentioned in previous Newsletters, Capita have been liaising with HMRC over the past two years to reconcile Guaranteed Minimum Pension (GMP) data held on our system to ensure the Trustees' records are as accurate as possible and correspond to those held by the National Insurance Contribution Office ("NICO").

The reconciliation is all but completed and the next step will be to reincorporate the reconciled GMP figures into members' records.

Capita and the Trustees are working on the final outstanding queries and are looking at the best way to resolve these queries and fill any gaps in the data.

As always, we would like to take this opportunity to remind you to let Capita know should you have any changes to your personal details now or in the future, such as a change of address, marital status etc.

## ➤ 2017 SCHEME AGM

Please note that this year's Scheme AGM will be held on **Wednesday 29 November 2017** at the offices of Meyer Brown International LLP, 201 Bishopsgate, London, EC2M starting at **1.00 pm**.

## ➤ ANNUAL MEETING OF MEMBERS

Due to insufficient interest from members the Group Trustees did not hold a local Meeting of Members during 2016.

As in previous years the Group Trustees are willing to arrange, with your support, an Annual Meeting of Members in November/December 2017 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 at the latest by Monday 30 October 2017 if you would like us to arrange one.**

## ➤ YOUR GROUP TRUSTEES

Your Group Trustees currently include three Elected Group Trustees who are in receipt of a pension from the Group:

*Howard Whisker  
Ann Watson  
Craig Breeze*

There are at present two Appointed Group Trustees following the resignation of Asha Magnus in July. Asha has now moved to another Company.

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

*Marc Boone  
(HeidelbergCement – Treasury Manager)*

Howard Whisker and Nigel Burnett also serve as Councillors and Directors on the Board of EPTL.

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 LCP.

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

## ➤ MEMBER WEBSITE

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 your Beneficiary Nomination online (see Lump Sum Death Benefits item below)*
- *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.*

The Hartlink Online website is available at:  
[www.hartlinkonline.co.uk/powerhouse](http://www.hartlinkonline.co.uk/powerhouse)

To access the site please 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](mailto:hanson@capita.co.uk) or 0845 600 0591 or by post to:

James Chilton  
 Group Administrator  
 Powerhouse Retail ESPS Group  
 Capita  
 Hartshead House  
 2 Cutlers Gate  
 Sheffield S4 7TL

## ➤ **ELECTRONIC COMMUNICATION WITH MEMBERS**

The Trustees have noted that there could be greater efficiencies by Capita and savings on our administrative costs, if we were able to move to electronic communication with members. This would allow Capita to contact you on any queries such as missing data and send member Newsletters by email. Currently 10% of all members have registered for Hartlink Online with quite a few registering in the last few months.

It would help us if many more members were to register for Hartlink Online (see above) which then allows us to email rather than post Newsletters.

Please also look at the new Hanson UK website for all its various pension schemes which provides Scheme/Group and general pension information. See link below.

<http://www.hansonpensions.co.uk>

The Company intends to develop this website over time in discussion with the various trustee bodies.

## ➤ **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 wrote to all affected members and a number returned their completed "Expression of Wish" Form.

There are still 208 Deferred Members and 107 Pensioner Members (who have retired in the last 5 years) who have not completed a form. You can complete this on line by accessing the Member Website (see Electronic Communication article).

## ➤ **FEEDBACK**

If you have any queries or comments on any items covered in our Newsletter or ideas for items in future Newsletters please let me know by emailing me as below.

[nigel.p.burnett@gmail.com](mailto: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 Hewitt, 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 [www.hartlinkonline.co.uk/powerhouse](http://www.hartlinkonline.co.uk/powerhouse) 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 2017;
- **The Report from the Group's actuary** following his check of the Group's situation at 31 March 2016.

The Group Administrator is James Chilton, Capita Employee Benefits Ltd, Hartshead House, 2 Cutlers Gate, Sheffield, S4 7TL.

Tel: 0845 600 0591.

Email: [Hanson@capita.co.uk](mailto: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 Services Authority website has more information about finding a suitably qualified adviser.

[www.fsa.gov.uk/library/communication/pr/2008/120.shtml](http://www.fsa.gov.uk/library/communication/pr/2008/120.shtml)

#### 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 Heidelberg Cement) 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;
- 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 Heidelberg Cement 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

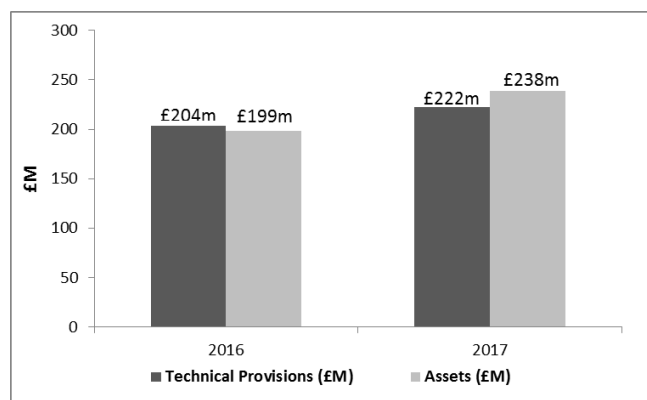
we are feeling more cautious or more confident. Depending on the target we set and the Group's progress, we may need to adjust our action plan, which sets out the planned contributions to the Group.

The Summary Funding Statement shows you the results of the actuary's latest valuation at 31 March 2016, as well as an estimate of the position as at 31 March 2017.

## K. Your Annual Funding Statement

### Progress of the funding plan since 31 March 2016

The chart below illustrates the changes in the funding level of the Group from 31 March 2016 to 31 March 2017.



Note: The market value of the Group's assets at 31 March 2017 (£238.4M) comprises invested assets of £237.8M and net current assets of £0.6M.

### The solvency position

If the Group had been wound up at 31 March 2016, it would have had 83% of the assets required by an insurer to fully secure the benefits. The corresponding percentage at 31 March 2017 was 96%.

### The funding plan

Following the 31 March 2013 valuation, the Company agreed to continue with payments of £272,000 per month from March 2013 to December 2024. However, given the improvement of the Group funding position since the 31 March 2016 valuation and the resulting surplus, the Company ceased making payments with effect from 31 March 2017. Heidelberg Cement 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 2015. That showed that the Group had a shortfall. At 31 March 2016 the value of the Group's assets was 96% of the value of its liabilities (the benefits promised to members). The position has therefore improved since then, mainly as a result of strong asset performance.

### **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: [www.pensionprotectionfund.org.uk](http://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.

<b>The Group will need money for</b>	<b>The Investment needs to provide</b>
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 2016 and 31 March 2017, the proportions held in each of the major assets classes were as follows:

	<b>31 March 2016</b>	<b>31 March 2017</b>
Global Equities	22.7%	5.4%
UK government securities	69.2%	75.0%
Corporate bonds	8.0%	7.0%
Cash and other	0.1%	12.6%

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