

ELECTRICITY SUPPLY PENSION SCHEME

Minutes of the 39th Annual General Meeting of Members of the Scheme held as a virtual meeting by Webinar provided by EPTL's legal adviser, Fieldfisher, on Monday 22 November 2021 commencing at 1pm.

Present

Melanie Cusack	Chair, Electricity Pensions Trustee Limited
Council Members of EPTL	
Directors of EPTL	
Chair of EPL	
Kevin Groves	Scheme Secretary
Sixty two members of the Scheme	

Advisers in attendance

David Gallagher	Fieldfisher, EPTL Legal Adviser
Guy Willard	Aon, EPTL Investment Adviser
Shujaat Khan, Alex Bertolotti, Lauren Carlyle and Philip Peverelle	PwC LLP, Scheme Auditors

Notice convening the Meeting

1. The notice convening the meeting was taken as read.

Introduction

2. The Chair welcomed the members and others present and introduced the main speakers. The Chair then covered how the virtual meeting would work from a practical point of view especially in relation to the main features on the Webinar screen. The Scheme Secretary went on to outline the purpose of the AGM. He said that the AGM was again being held as a virtual meeting because of the continuing risks arising from the Covid19 pandemic and because of the higher levels of attendance demonstrated at virtual meetings, including last year's AGM. Documents relevant to the AGM (including the agenda, last year's minutes, accounts and privacy notice) had been previously emailed to members and other attendees who had registered to join in the meeting. These documents had also been placed on the ESPS website. The meeting would be recorded for the purposes of having a reliable record and might also be used for training purposes. The recording would be held by Fieldfisher and would be available to Scheme members on request. A copy of the presentation slides would also be placed on the ESPS website.

Minutes of the 38th Annual General Meeting held on 23 November 2020

2. The minutes of the 38th Annual General Meeting held on 23 November 2020 were agreed as a correct record, as confirmed by a vote of members.
3. With reference to minute 3, the presentation slides showed that the September 2021 RPI figure had been announced at 4.9%. Rule 26 of the Scheme Rules provided that for most Defined Benefit (DB) members, pensions in payment to members and spouses and dependants should be increased in line with the increase in the RPI over the 12 months ending in the previous September (where RPI increases were more than 5%, pension increases could be limited by Principal Employers to less than the full increase in RPI, subject to the increase being not less than 5%). Whilst the September RPI figure each year

usually indicated the level of pensions increase for DB members applicable from the following 1 April, provision for pensions increases might differ between and within individual Groups of the Scheme.

4. With reference to minute 24, it was noted on the presentation slides that the date of the next Scheme AGM would be Monday 22 November 2022. The starting time would be 1pm and the meeting would continue to be virtual.
5. xxxxx xx (National Grid Group member) referred to minute 5 and asked about the length of time the register of members attending an AGM was held. David Gallagher of Fieldfisher said that it would be up to two years as stated in the Privacy Notice but, in reality, was shorter than this once any queries that might be raised on the previous year's attendance had been addressed at the following year's AGM. xxxxx xx also asked whether the names of EPTL Council members and Board Directors in attendance should be recorded in the minutes. This would be considered but it was noted that this was a members' meeting and that the names of members in attendance were not recorded in the minutes. The practice had been to record only the names of the principal speakers and advisers being in attendance.
6. xxxxx xxxxxxxx (E.ON UK Group pensioner) referred to minute 6, and raised the following points – “While all this is interesting background, it poses more questions than answers. The statement made at the 1990 scheme AGM does not mention “employer of the last resort” only former employer at retirement. This statement was open to misinterpretation and was not as clear as I thought. The statement in a House of Lords debate in 1989, was made by Baroness Hooper, Parliamentary Under-Secretary of State in the Department of Energy who only summarised the protections, which would apply if the ESPS was wound up. My concern at the time was what if individual employers walk away, are insolvent or parcel up pensioners in a shell company? We thought that the Government were the employer of the last resort, as in the Bill. Will we all, one by one, just disappear out of the EPTL Accounts, like Eggborough Power Group? Just like Jim Hacker in “Yes Minister”, we could not know what we did not know. We only found out later that the costs of setting up EPSL were paid for by the scheme and that both Scottish schemes were given maximum Inland Revenue limits. The question remains: why were the EPTL directors not told at the time it was not in the Act?” David Gallagher felt that there was no further information to add to minute 6 and that the issue revolved around a mismatch of understandings and recollections of over thirty years ago. However, he would revisit the records of that time and contact xxxxx xxxxxxxx direct once he had reviewed them. Later in the meeting xxxx xxx (ENW Group member) asked if feedback would be given following David Gallagher revisiting the records - this would be arranged as necessary following future correspondence between xxxxx xxxxxxxx and David Gallagher.
7. xxxxx xxxxxxxx (E.ON UK Group pensioner) referred to minute 8, and asked if it was possible for users to be notified automatically of any updates to the ESPS website. Kevin Groves, the Scheme Secretary, said that he would investigate this and confirm the position at the next AGM. xxx xxxxxxxx (National Grid Group member) said that such notifications were possible in his own Group.
8. xxxxxxxx xxxxx (UKPN Group member) asked about RPI/CPI measurements and David Gallagher said he would cover this matter in his slide presentation later in the meeting.

Report by the Chair of EPTL and the Scheme Secretary

9. The Chair reported on the make-up of the EPTL Board (nine Board members and four Reserves) during the last year and on the changes following the EPTL Council meeting

held on 16 November 2021. The Chair thanked all those who had served on the Council and Board of EPTL (including the outgoing Directors and Reserves), together with the professional advisers and the Capita staff, for their respective contributions to the work of the Scheme during the year.

10. The number of active Groups within the Scheme remained at twenty-six although the Eggborough Group was in the process of leaving the ESPS subject to completion of outstanding issues. During the year since the last AGM there had been no Scheme-wide Amendments. Some of the main matters addressed by the EPTL Board, during the year since the last AGM, included arrangements for the virtual Scheme AGM 2021 and virtual Council meeting; the ongoing development of the ESPS website; the Statement of Investment Principles (SIP) and Investment Implementation Statement which had been published on the website; the monitoring of the Forestry Sector; the ongoing monitoring of the Carillion situation; the appointment for the new Independent Chair of EPTL; the completion of the review of the Custodian; work on the review of other advisers to EPTL; various governance and risk matters including Covid19; and, together with EPL, the agreement of a new contract with Capita for the provision of administration services to the ESPS which took effect from the start of the year. General pension issues since the last AGM included the Pensions Act 2021 and the High Court ruling in late 2020 regarding GMPs.

Report by the EPTL Legal Adviser

11. David Gallagher reported on the sad passing away of xxxxx xxxx, an active participant in Scheme and AGM business. xxxx had been a key member of the group which many years ago took legal action which led to new case law from the highest court in England regarding the use of surpluses in pension schemes. Members in attendance agreed that xxxxx xxxx had been an excellent and passionate Scheme member.
12. David Gallagher then reported on the matter of indexation regarding increases in annual pensions. The Government had postponed its removal of RPI as a published index until 2030 as announced by the Chancellor. The use of RPI in the ESPS was protected as it was written into the Scheme Rules. It was expected that Government legislation would be needed to address the use of RPI in pension scheme rules. It was thought that the matter would resurface again in 2028/29 possibly through another Government consultation exercise.
13. David Gallagher recapped on the background to the establishment of the ESPS and covered legal activity during the year including that a new Consolidated Scheme Document had been executed in August 2021. He also touched on matters regarding the legal situation of virtual Board meetings and the virtual AGM, together with some practical issues. David Gallagher reported that there had been no further developments on the Magnox situation and that the Carillion situation continued to be monitored. Also, TPR's new Code of Practice was expected to be a significant issue for pension schemes in 2022.
14. He went on to cover Climate Change issues affecting pension schemes (as institutional investors) and this was very much a current topic. His slides covered information and statistics on various Climate Change matters and actions on which pension scheme investors were able to potentially have an impact. Regarding the impact of Climate Change in the ESPS, Fieldfisher and Capita were looking to have further discussions with TPR (and previously DWP) on the roles of Groups in relation to investment decision making and the central function of the ESPS on which clarifications were being sought.

Report by the EPTL Investment Adviser

15. Guy Willard of Aon reported on various investment matters during the year to 31 March 2021 and focussed on increasing optimism in investment markets as a result of the positive affect of Covid 19 vaccination programmes. There had been positive returns in most markets over the last 12 months. Central banks were curbing quantitative easing and there was the issue of rising inflation including energy prices.
16. Guy Willard went on to report on the performance of the ESPS Forestry Sector which continued to produce good returns and had resulted in a 49.5% return in the year to 31 March 2021. This included capital values and income from both timber sales, which were strong, and from windfarms. He also reported on forestry investment as a significant investment in Climate Change mitigation.

Presentation on the Scheme Accounts for 2020/21

17. The Scheme Secretary gave a presentation on the matters dealt with in the Scheme's Annual Report and Consolidated Financial Statements. It was explained that the Financial Statements showed the position for the Scheme as a whole and confirmed that these met all statutory and reporting requirements. Each of the Groups produced its own Report and Financial Statements and members should also refer to the Report and Financial Statements for their own Group, as Groups were actuarially independent.
18. Key points from the Scheme accounts included that: during the year, pension contributions of approximately £1.05 billion had been received, and pension benefits of approximately £1.63 billion had been paid; the value of the Scheme's investments had increased by approximately £2.8bn; and at 31 March 2021 the Scheme's assets were valued at £46.2 billion.
19. Groups continued to be required to make representations to EPTL, generally on an annual basis, to provide assurance that devolved activities were being undertaken to the required standards.

Matters Arising from the Presentations

20. xxxxx xxxxxxxx (E.ON UK Group pensioner) said that as attendance levels for the virtual AGM had increased it seemed to be appropriate to continue to hold future AGMs as virtual meetings.
21. xxxxx xxxxxxxx (E.ON UK Group pensioner) questioned how Trustee Boards were coping with Climate Change issues. David Gallagher reported that it was certainly the most significant generic issue for Trustee Boards at present, and the Chair felt that with regard to the ESPS the main focus was at Group Trustee level where investment decision making was at the forefront.
22. xxxxxxx xxxxx (UKPN Group member) asked if it was known whether any other pension schemes were making a case to the Government against any future moves to review RPI increases in pensions. David Gallagher reaffirmed that each scheme was different with its own rules and what has happened in other schemes would not necessarily translate to the ESPS. RPI was specifically referred to in the ESPS Rules and the impact of the abolition of RPI on pension schemes was expected to be addressed in legislation. xxxxx xxxxxxxx (E.ON UK Group pensioner) felt that this matter needed a watching brief.
23. xxxxx xx (National Grid Group member) spoke about the social responsibility surrounding Climate Change issues and went on to ask Guy Willard about the prevalence of rising inflation. Guy Willard felt that there was a possibility that inflation would peak in about

4-6 months' time.

24. xxxxxxxx xxxxxxxxxxxx (National Grid Group pensioner) asked if the ESPS was concerned at the trends in buy outs and buy ins of existing ESI (Electricity Supply Industry) Pension Schemes. David Gallagher reported that buy outs and buy ins could improve member security even against the level of support which ESPS offered. However, individual transactions would be matters for Group Trustees taking into account all the relevant considerations for their respective Group.
25. xxxxxxxx xxxxxxxxxxxx (National Grid Group pensioner) asked if the ESPS was concerned as to the security of principal employers and the creation of 'Management Companies' within ESI pension provision. David Gallagher responded that covenant issues were very much Group Trustee issues as they involved an analysis of the specific employers and businesses supporting the Group. Also, as seen with Carillion where protected persons were affected by a covenant issue, there could be a role for successor companies to step in.
26. xxxx xxx (ENW Group member) had some detailed questions regarding Forestry investment which it was agreed would be best dealt with off-line.

Receipt of Annual Report and Financial Statements

27. The Scheme's Annual Report and Consolidated Financial Statements, and the Auditors' Report thereon for the year ended 31 March 2021 were formally received as confirmed by a vote of Scheme members.

Other Business

28. xxxxxxxx xxxxxxxx (BEGG Group member) referred to some difficulties in obtaining AVC information and David Gallagher offered to make sure his enquiries were directed to the correct person within BEGG.
29. xxxxxxxx xxxxxxxx (EPTL Council member and Director), xxxxxx xx (National Grid Group member), and xxxxxxxx xxxxxxxx (BEGG Group member) all said that they felt the AGM had been well attended, well organised, efficiently chaired and informative. The Chair invited any further feedback to the Scheme Secretary.

Date of 2022 Scheme AGM

30. As reported earlier in the meeting it was confirmed that the next Scheme AGM (virtual meeting) would be held on 22 November 2022, with the starting time of 1pm. The Chair advised members and attendees to enter the date in their diaries.

Vote of Thanks

31. The Chair thanked all members present for attending the AGM and offered best wishes to all. xxxxx xxxxxxxxxxxx (EPTL Director) proposed a vote of thanks to the Chair Melanie Cusack, EPTL Directors and Council Members, Officers of the Scheme, the staff of Capita, and the advisers to the Scheme for all their work for the ESPS throughout the year; and to all ESPS members present for their attendance.

Conclusion

32. There was no further business and the meeting concluded at 2.33 pm.

Note to Members:

1. the anonymised version of these minutes can be shared freely.
2. the presentation slides are available on espspensions.co.uk