

# 40<sup>th</sup> Annual General Meeting of Scheme Members

22 November 2022

Please note the meeting is being recorded

# Purpose of Meeting

- **Central AGM of the ESPS.**
- **Receive the Annual Report and Financial Statements.**
- **For Members and Beneficiaries.**
- **Copies of: Agenda, minutes of the 39<sup>th</sup> AGM and Annual Trustee's Report and Accounts provided via email to registered participants and available on the ESPS website <https://www.espspensions.co.uk>**

# If you have any questions....

- **Questions can be raised using the Question button, alternatively, if you wish to speak use the Raise Your Hand button and wait to be unmuted.**
- **In either case please state your name, Group and whether you are an Active, Deferred or Pensioner member.**

# Welcome, Introduction and Today's Proceedings

## **Agenda Item 1**

# **Welcome:**

To the 40<sup>th</sup> Annual General Meeting

# **Panel Introductions:**

- Melanie Cusack – Chair EPTL
- Kevin Groves – Scheme Secretary

# **Also present:**

- David Gallagher – Fieldfisher
- Guy Willard – Aon
- EPTL Directors and Council Members

# EPTL Board Members



Melanie Cusack(Chair)



Stephen Duffy



Graham Commons



Nikki Dark



Philip Hudson



Alastair Russell



Tom Massey



Mike Brown



Jackie Wall

# Reserves



Nigel Burnett



Howard Whisker



Jeff Rowlinson



Matthew Peard

# Today's Proceedings:

- Minutes of the 39th AGM.
- Consider Matters Arising out of the Minutes.
- Reports of the Scheme Trustee and Advisers.
- Matters Arising from the Presentations.
- Receive the Scheme Report and Accounts to 31 March 2022.
- Member Resolution.
- Consider any other Competent Business.



# Confirm Minutes of 39<sup>th</sup> Annual General Meeting

## **Agenda Item 2**

# Approval of Minutes

- **Questions can be raised using the Question button, alternatively, if you wish to speak use the Raise Your Hand button and wait to be unmuted.**
- **In either case please state your name, Group and whether you are an Active, Deferred or Pensioner member.**
- **There will be a vote to approve the minutes using the software.**

# Consider Matters Arising out of Minutes

## **Agenda Item 3**

# Consider Matters Arising out of Minutes

- **September 2022 RPI confirmed at 12.6%.**
- **Date of 2023 AGM – 21 November 2023.**
- **Other items.**

# Questions?

- **Please confine your questions to matters arising out of the minutes.**
- **Questions can be raised using the Question button, alternatively, if you wish to speak use the Raise Your Hand button and wait to be admitted.**
- **In either case please state your name, Group and whether you are an Active, Deferred or Pensioner member.**

# Report of the Scheme Trustee

## **Agenda Item 4**

# Report of the Scheme Trustee

- **24 active Groups at 31 March 2022**
- **Scheme-wide Amendments during the year to 31 March 2022**
  - Deed of Amendment dated 26 August 2021 which updated the Deemed Consent Process for EPL and adopted the Consolidated Scheme Document.

# Report of the Scheme Trustee

## The main pension issues over the year to 31 March 2022:

- The Pensions Act 2021 gained Royal Assent in February 2021 and came into force during the year: Strengthen powers for the Pensions Regulator; Changes to funding regime of DB schemes; New requirements for climate responsible investing; Tightens rules on DB transfers. Further provisions include new notifiable events and the pensions dashboard.
- The Finance Act 2022 included provisions which will increase the normal pension age from age 55 to age 57 from 2028.



# Report of the Scheme Trustee

## **Matters considered by EPTL during the year to 31 March 2022 include:**

- Reporting in line with governance requirements.
- Arrangements for the Scheme AGM.
- Ongoing reviews of Scheme advisers.
- Ongoing risk monitoring regarding Covid-19.
- Consolidation of the Scheme Document.
- Monitoring the management and performance of the Unitised Fund UK Forestry Sector.

# Report of the Scheme Trustee

## **Matters considered by EPTL during the year to 31 March 2022 include:**

- Managing Group structure changes (EDF merger and winding-up of Eggborough Group).
- Actively engaging with the DWP and TPR – on the Taskforce on Climate-related Financial Disclosures (“TCFD”) and Pensions Dashboard.
- Implications of TPR’s proposed Single Code of Practice.
- Recent events post year end.

# Current Pension Issues

## **Agenda Item 5**

**Presentation by David Gallagher**

# Electricity Supply Pension Scheme

- Formed in 1983 by the Electricity Council
- Replaced predecessor schemes with one industry-wide scheme
- Through privatisation ESPS was retained, but re-structured into separate Groups
- Employees in the industry were granted “protected person” status
- This provides protections by law in a “statutory instrument” passed by Parliament
- The protections cover accrual, protection for past service and limits on amendments



# 2022 Legal activity

- Climate change legislation – pensions schemes as institutional investors (from the Taskforce on Climate-related Financial Disclosures “TCFD”)
- TCFD: Liaison with TPR about compliance and Groups about content
- TCFD: statutory report at ESPS level, but more relevant details for members at Group level
- Helped a number of Groups clear up issues with historic documents
- Carillion – independent trustee has signed terms to secure benefits with an insurer
- Magnox Protected Persons consultation – all quiet

# Looking ahead to 2023

- Combined/Single Code of Practice from TPR
- Own Risk Assessment and Effective System of Governance
- Pension Dashboards – lots of work behind the scenes
- Drax Group managed exit from ESPS

# Inflation Reform and Court Cases

- CPI and RPI are different
- RPI is generally higher by 1.0%; some economists say it overestimates inflation
- R (BT Pension Scheme Trustees and others) v (1) UK Statistics Authority & (2) Chancellor of the Exchequer
- BT Scheme had invested heavily in Government gilts indexed to RPI
- UK Statistics Authority (“UKSA”) decided RPI would, from 2030, use the methodology and data sources of CPI
- Court held (1) the UKSA had the right and power to make such decisions
- (2) Treasury had taken into account all relevant interests in facilitating the change

# Statement of Accounts

## **Agenda Item 6**

### **Presentation by Kevin Groves**



# Presentation covers

- Annual Report & Consolidated Financial Statements (“Scheme Accounts”) for the year ended 31 March 2022.
- Representations received by EPTL.
- Tax and other claims made by EPTL on behalf of the Scheme.

# Scheme accounts - overview

- Accounts present consolidated position for the ESPS as a whole.
- The main financial statements are on pages 23 and 24.
- Detailed financial information is provided in the notes (pages 25 to 50).
- Information about investments is shown on pages 32 to 50.
- Membership statistics are shown on pages 53 and 54.
- PricewaterhouseCoopers LLP (“PwC”) are the independent auditors and their report is shown on pages 20 to 22.

# Pension Funding

- Total Pension contributions were £777 million split:
  - Total Employer contributions were £735 million.
  - Total Employee contributions were £42 million.

# Pension benefits

- Pensions benefits were £1,652 million.
- Payments on account of leavers £518 million
- Net increase in Defined Benefit pensioners of 713.
- Total increase in pensions benefits paid of £21 million.

# Scheme investments

- Scheme's net investments were £48.2 billion at 31 March 2022 compared with the previous year £46.1 billion.
- Pooled funds at 31 March 2022 were £38.6 billion compared with previous year £40.3 billion.
- Income distributed by pooled funds is shown within change in market value (along with realised/unrealised gains and losses).
- Scheme's DC investments were £257 million at 31 March 2022 compared with previous year £291 million.

# Scheme assets

- Scheme assets = DB investments + DC investments + current assets - current liabilities.
- Scheme assets increased to £48.3 billion at 31 March 2022 cf £46.2 billion at the previous financial year-end.

# Representations received by EPTL

- Groups required to make representations generally on an annual basis to EPTL.
- Representations process provides assurance to EPTL that devolved activities are being undertaken to required standard.
- Positive assurance was received on the required representations.
- Representations for 2022/23 expected to continue to be aligned with regulatory requirements.

# Investment Matters

## **Agenda Item 7**

### **Presentation by Guy Willard**



## ESPS – Investment Conditions – Year to 30 September 2022



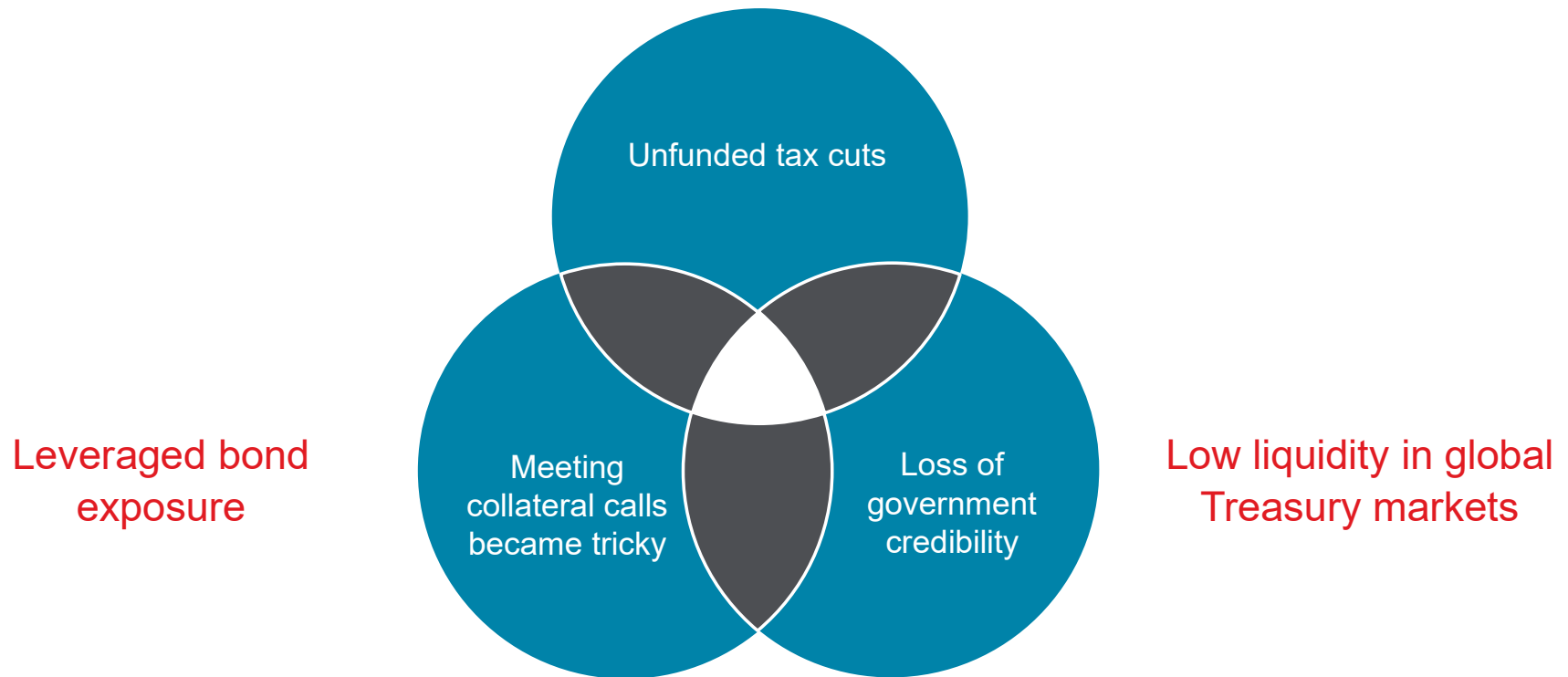
- Global equities generated negative returns over the last twelve months.
- Equity markets erased all their 2021 gains by Q2 2022 as geopolitical risk took centre stage with Russia invading Ukraine.
- Global inflation fears appeared and began to unsettle towards the end of 2021 and much of 2022.



- Central banks around the world continued to tighten monetary policy amidst high inflation, raising benchmark interest rates to tackle surging price levels.
- The announcement of the unfunded £45bn package of tax cuts (the majority of which have now been reversed) and an increase in borrowings led to the pound hitting its lowest level against the US dollar since 1985, falling below \$1.04/£.

# Drivers of the LDI shock

Massive switch in fiscal policy:  
2022/3 deficit goes from 3.9% to 7.5%

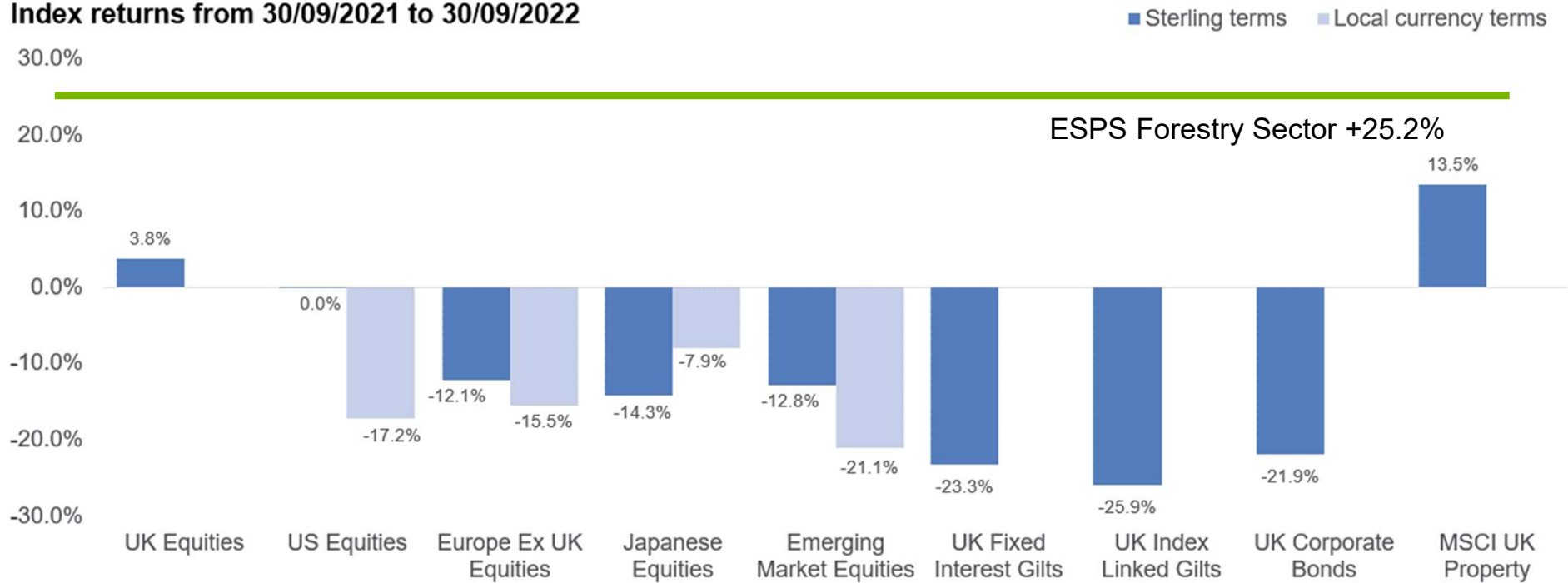


# Market volatility

- Former Chancellor Kwasi Kwarteng announced the biggest tax cuts since 1972 prompting a sell-off in the UK gilts market.
  - Gilt yields experienced unprecedented volatility, with markets experiencing the biggest daily moves since at least the 1990's
  - Yields began to stabilise following the BoE gilt purchase program, the fiscal U-turn and the sacking of the Chancellor.
  - Quantitative tightening gilt sales have now resumed, with an autumn statement on November 17<sup>th</sup> expected to replace the cancelled fiscal event.
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# Market Returns (one year)

Index returns from 30/09/2021 to 30/09/2022



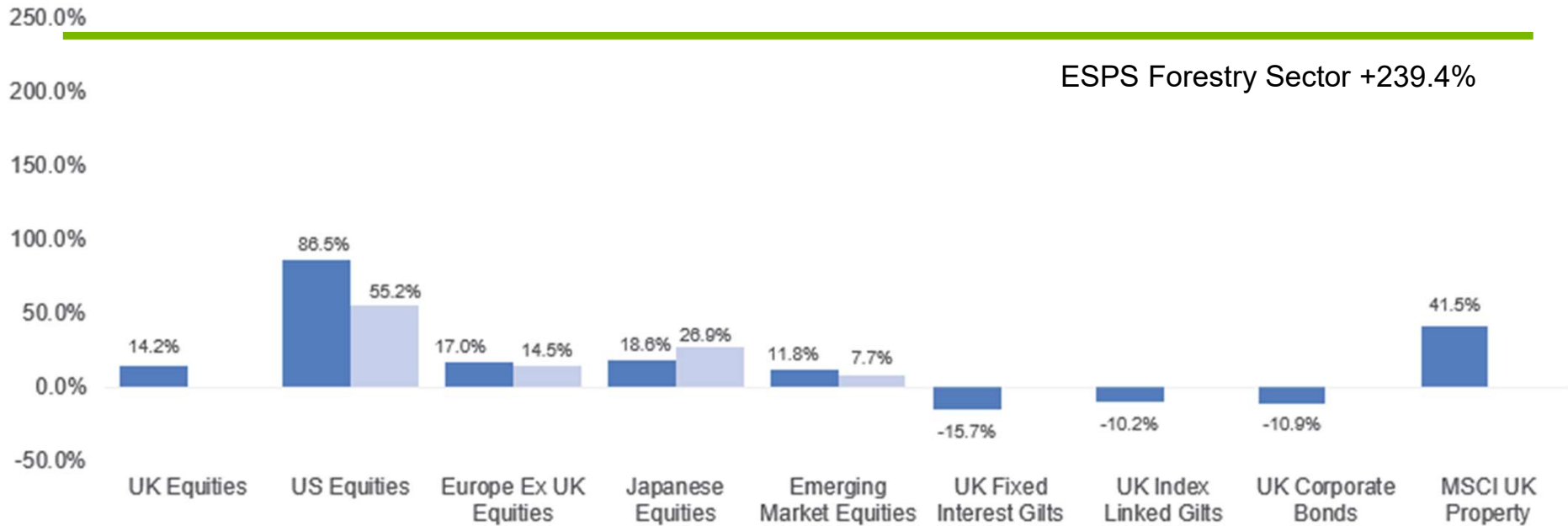
Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit)

**ESPS Forestry Sector = 25.2%**

# Market returns (5 years)

Index returns from 29/09/2017 to 30/09/2022

■ Sterling terms ■ Local currency terms



ESPS Forestry Sector +239.4%

Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit)

**ESPS Forestry Sector = 239.4%**

- ESPS has now published the Scheme's first TCFD report, meeting the regulatory deadline of 31<sup>st</sup> October 2022.
- This report covers the period 1<sup>st</sup> October 2021 to 31<sup>st</sup> March 2022.
- By the Regulator's current interpretation of the climate change governance reporting regulations, the Trustees must produce and publish a TCFD report within seven months after the end of the Scheme year in which they are subject to regulations.
- The Trustee will next produce a report covering the year ending 31<sup>st</sup> March 2023, which must be published by 31<sup>st</sup> October 2023.
- The report covers the four key pillars of TCFD:
  - Governance
  - Strategy
  - Risk Management
  - Metrics and Targets

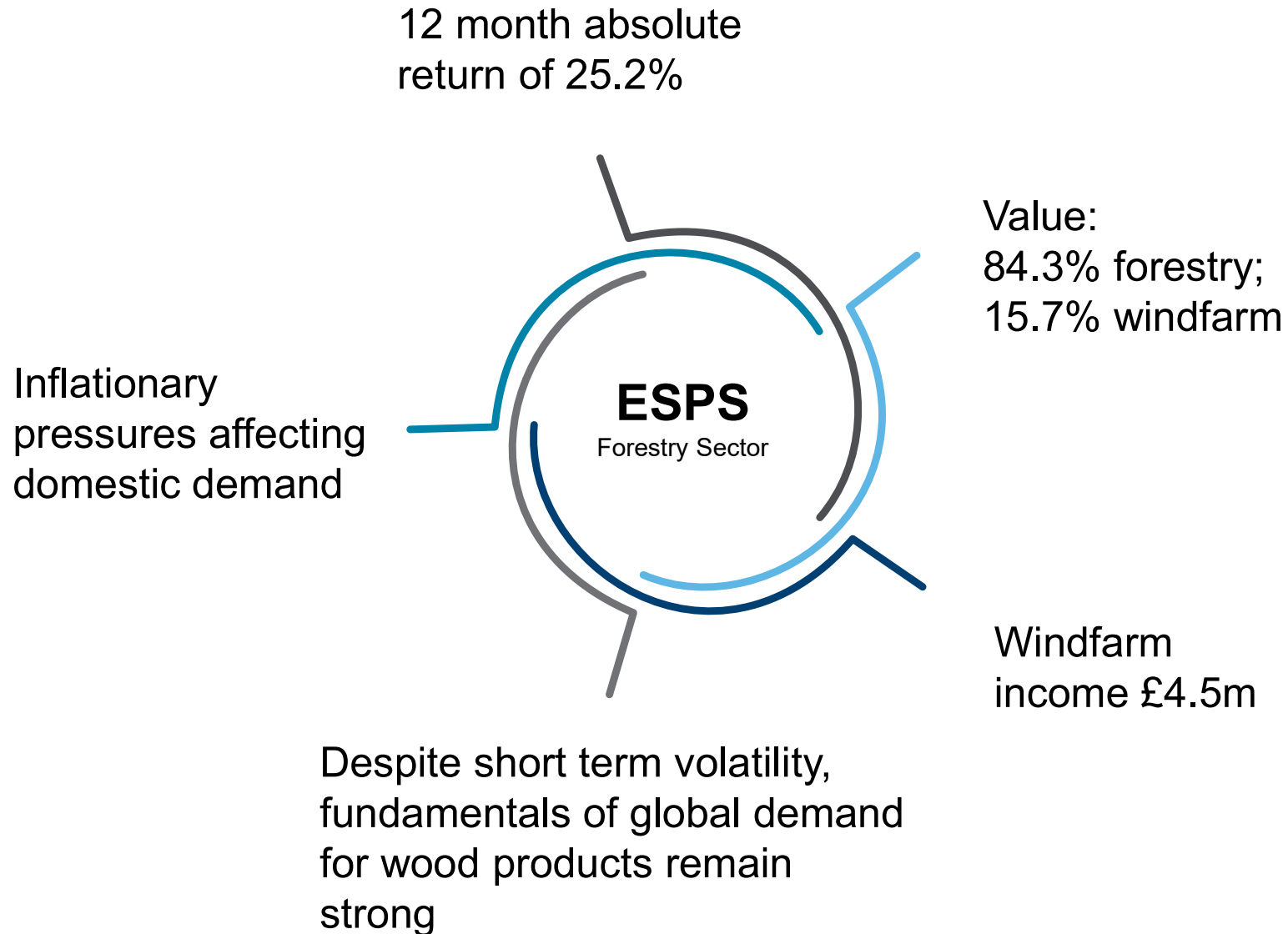




# ESPS

The Unitised Fund Sectors  
UK Forestry

# ESPS – Forestry Sector: Another exceptional year





# ESPS Forestry Sector – 5 Year Risk and Return



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# Consider Matters arising out of the presentations

## **Agenda Item 8**

- **Questions can be raised using the Question button, alternatively, if you wish to speak use the Raise Your Hand button and wait to be unmuted.**
- **In either case please state your name, Group and whether you are an Active, Deferred or Pensioner member.**

# Receive the Statement of Accounts and Auditors' Report

## **Agenda Item 9**

- **Members are asked to receive the Statement of Accounts and the Auditors' Report on the Accounts for the year ending 31 March 2022**
- **Questions can be raised using the Question button, alternatively, if you wish to speak use the Raise Your Hand button and wait to be unmuted.**
- **In either case please state your name, Group and whether you are an Active, Deferred or Pensioner member.**
- **There will be a vote to receive the Statement of Accounts and the Auditors' Report on the Accounts for the year ending 31 March 2022 using the software.**

# Consider Resolution proposed by Mr Roger Barnard

## **Agenda Item 10**

**RESOLUTION for consideration at the 40th Annual General Meeting of Members of the Scheme on Tuesday 22 November 2022**

We, the under-signed, being Members of the Scheme, invite other Members of the Scheme at this Annual General Meeting to duly consider and, if thought fit, adopt the Resolution set out below, for prompt transmission to the Chairman and Trustees of each ESPS Group.

**PROPOSED BY:** Roger Barnard (UK Power Networks Group)

**SECONDED BY:** Terry Johnston (E.On Group)

**RESOLVED THAT THIS MEETING:**

**Having noted that, pursuant to the provisions of the Scheme:**

- a) Increases for ESPS pensions in payment each April are calculated by reference to the change in the Retail Price Index over the 12 months ending in the previous September, which would result in a payment increase next April of 12.6 per cent.
- b) However, if the correctly calculated increase is more than 5 per cent, the Principal Employer may be entitled to apply a different figure for the increase, provided that this discretionary figure is not less than 5 per cent.
- c) Pension increases under the ESPS are therefore effectively capped at 5 per cent a year, UNLESS the Principal Employer positively chooses to pay more than 5 per cent if the calculated increase exceeds that amount.



**And having further noted that:**

- d) By the time next April arrives, ESPS pensioners will be struggling like other elderly citizens through the worst cost of living crisis the UK has seen in fifty years.
- e) It is government policy to ensure that pensioners, in particular, are protected so far as practicable from the full impact of that crisis.
- f) ESPS sponsors for the most part are highly profitable companies with strong cash flows and a genuine concern for their corporate responsibilities.

**Now earnestly requests that:**

- g) Principal Employers of the ESPS Groups should pay the full RPI-related pension increase next April, as is appropriate in all the current circumstances, and
- h) Trustees and (if relevant) the Independent Trustees of the Groups should ensure they receive full and compelling reasons for any departure from that position.

### **Secretary's Note to the resolution**

The attention of members is drawn to the notes to the Scheme AGM Agenda.

Members' resolutions voted on and carried at the Scheme AGM do not have any power conferred upon them, and cannot instruct EPTL, Group Trustees, Employers, or others involved in the running of the Scheme.

If the above resolution is carried at the Scheme AGM, Electricity Pensions Limited (EPL) and Electricity Pensions Trustee Limited (EPTL) will be notified. EPL and EPTL may or may not decide to take any action in response to the resolution.

Consider any other competent  
business

## **Agenda Item 11**

# Date of AGM 2023

**21 November 2023**

# Conclusion

Thank you for attending the ESPS  
40<sup>th</sup> Annual General Meeting