ELECTRICITY SUPPLY PENSION SCHEME

Minutes of the 40th Annual General Meeting of Members of the Scheme held as a virtual meeting by Webinar provided by EPTL's legal adviser, Fieldfisher, on Tuesday 22 November 2022 commencing at 1pm.

Present

Melanie Cusack	Chair, Electricity Pensions Trustee Limited
Council Members of EPTL	
Directors of EPTL	
Kevin Groves	Scheme Secretary
Julia Campta	ESPS Financial Controller
Paul Wallis	Company Secretary
Seventy-five members of the Scheme	

Advisers in attendance

David Gallagher	Fieldfisher, EPTL Legal Adviser
Guy Willard	Aon, EPTL Investment Adviser
Shujaat Khan, Charlotte Kennedy 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 greater convenience to members and because of the higher levels of attendance demonstrated at virtual meetings, including the last two AGMs. 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 39th Annual General Meeting held on 22 November 2021

3. The minutes of the 39th Annual General Meeting held on 22 November 2021 were agreed as a correct record subject to the replacement of the word "Monday" with the word "Tuesday" in minute 4. The minutes were confirmed by a vote of members at a point later in the meeting.

4. With reference to minute 3, the presentation slides showed that the September 2022 RPI

figure had been announced at 12.6%. 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 – however, 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%. It was possible, therefore, depending on the decisions of Principal Employers that provision for pensions increases might differ between and within individual Groups of the Scheme. A members' resolution was discussed later in the meeting on pension increases with effect from 1 April 2023.

5. With reference to minute 30, it was noted on the presentation slides that the date of the next Scheme AGM would be Tuesday 21 November 2023. The starting time would be confirmed in due course.

6. With reference to minute 6, xxxxxx xxxxxxxxx raised the issue of "employer of last resort" at the 2018 AGM and at subsequent AGMs. At the 2019 AGM it was minuted that 'David Gallagher further responded that trustees and others would only have been aware of what was contained in the end legislation rather than what might or might not have been discussed by Government at the time'. David Gallagher responded to xxxxxx xxxxxxxxx by providing a comprehensive response to his question, but xxxxxx xxxxxxxxx noted that the recent review shows no evidence of the trustees of EPTL being made aware that the Government was no longer the employer of last resort.

7. With reference to minute 7 regarding the ESPS website, it was reported that because of database and IT technical issues (for example the website being "public") it was not possible for users to be notified automatically of any updates placed on the website.

Report by the Chair of EPTL and the Scheme Secretary

8. The Chair and Scheme Secretary reported on the make-up of the EPTL Board (nine Board members and Reserves) during the last year and on the changes to the Board following the EPTL Council meeting held on 15 November 2022. 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. The Chair made special reference to xxxxxx xxxxxxxxx who was stepping down after over 20 years' excellent service on the EPTL Board and on the EPTL Council since 2012.

9. The number of active Groups within the Scheme had reduced to twenty-four following the exit of Eggborough and the EDF merger. During the year to 31 March 2022 there had been one Scheme-wide Amendment (EPL deemed consent updates and the consolidated Scheme Document) and post 31 March 2022 there had been a further Scheme-wide Amendment to allow partial or full solvent buy-outs and bulk transfers without consent to a relevant Scheme. Some of the main matters addressed by the EPTL Board, during the year since the last AGM, included arrangements for the Scheme AGM 2022 and Council meeting 2022; Taskforce on Climate-related Financial Disclosures ("TCFD") matters including discussions on this with the Department of Work and Pensions ("DWP") and The Pensions Regulator ("TPR"); TPR Single Code of Practice; Pensions Dashboards including discussions on this with DWP and TPR; monitoring of the Forestry Sector; consolidation of the Scheme Document; Group matters including the exit of Eggborough and the EDF merger; reviews of EPTL advisers; various governance and risk matters

including those arising from the Covid pandemic; and monitoring the contract with Capita. General pension issues since the last AGM included the Pensions Act 2021 which came into force during the year and the Finance Act 2022 which included provisions for raising the normal minimum pension age from 55 to 57 years from 2028.

Report by the EPTL Legal Adviser

10. Due to technical difficulties, the Legal Adviser presentation was delivered in stages. David Gallagher recapped on the history of the ESPS and reported on the legal position of virtual meetings. Legal activity during the year included updates to the deemed consent provisions for approvals by ESPS Principal Employers and the Consolidated Scheme Document; climate change issues affecting pension schemes and related TCFD matters in the ESPS (including discussions with DWP and TPR on the separate roles of the central ESPS function and Groups); the exit of Eggborough and the transfer of members to a separate scheme supported by the parent company; assisting a number of Groups with historic documentation issues; monitoring the Carillion situation (on which a buy-in of benefits with an insurer had recently taken place); monitoring the Magnox Protected Persons issue on which there had been no developments; and the TPR combined code which would require further focus in the future. David Gallagher explained that the ESPS TCFD statement was publicly available on the ESPS website and the members may find more Group-related information on their Group's website. David Gallagher also covered matters of Government inflation reform and Court cases in this regard.

Report by the EPTL Investment Adviser

11. Guy Willard of Aon reported on various investment matters during the year to 31 March 2022 and extended this up to 30 September 2022. He firstly focussed on negative returns in most asset classes, albeit UK equities had shown a small positive return. Guy Willard then covered the setting in of high levels of global inflation which was in part down to the effects of the war in Ukraine. Central Banks had been tightening monetary policy due to market volatility and in the UK Sterling had fallen against the Dollar, gilt prices had fallen and there had also been issues for pensions funds particularly with Liability Driven Investments following the unfunded tax cuts announced by the Truss Government, but largely now withdrawn. Political uncertainty in the UK had not helped market conditions. He covered the input to the TCFD work in the ESPS with the next full year TCFD Report being due in October 2023.

12. 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 25.2% return in the year to 31 March 2022. This included capital values and income from both timber sales, which were generally strong, and from windfarms. He also reported on the attraction of forestry investment as a significant investment in Climate Change mitigation.

Presentation on the Scheme Accounts for 2021/22

13. Julia Campta, ESPS Financial Controller, 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.

14. Key points from the Scheme accounts included that: during the year, pension contributions of approximately £0.77 billion had been received, and pension benefits of approximately £1.65 billion had been paid; the value of the Scheme's investments had increased by approximately £2.1bn; and at 31 March 2022 the Scheme's assets were valued at £48.3 billion.

15. Groups continued to be required to make representations to EPTL, generally on an annual basis, to provide assurance that devolved activities and regulatory matters were being undertaken to the required standards.

Matters Arising from the Presentations

16. xxxxxx xxxxxxxxx (E.ON UK Group pensioner) in referring to minute 6 of the minutes of the 2021 AGM, to his comments at previous AGMs and to David Gallagher's communication to him still felt that there was a lack of clarity in 1989/90 regarding employer of the last resort. xxxxxx xxxxxxxxx (National Grid Group pensioner) asked for information regarding employer of the last resort and David Gallagher would write to him about this, copying in xxxxxx xxxxxxxxx.

17. xxxxxx xxxxxxxxx (E.ON UK Group pensioner) felt that there were some disadvantages to the AGM being a virtual meeting including no face to face interaction and IT technical issues such as those experienced at this meeting. The Chair reported that the AGM had changed to a virtual meeting in 2020 because of the Covid pandemic and had resulted in higher levels of participation. However, the points raised by xxxxxx xxxxxxxxx and others would be considered by the EPTL Board in reviewing the format of next year's AGM.

18. xxxxxx xxxxxxxxx (E.ON UK Group pensioner) asked what the EPL deemed consent changes involved and also the consolidated Scheme Document. David Gallagher responded that the deemed consent changes covered electronic communication methods for dealing with approvals in the ESPS by Principal Employers and that the Scheme Document consolidation was effectively an administrative exercise to include recent amendments in an updated Scheme Document but not involving any new provisions.

19. xxxxxx xxxxxxxxx (E.ON UK Group pensioner) raised the issue of the Drax exit from the ESPS and felt that this trend (and also buy outs and buy ins) showed that the ESPS was receding. Such matters were for individual Employers and Groups but had to be in line with ESPS exit policy. David Gallagher said that member transfers in such cases had to be to a relevant scheme and that protected persons involved in these transfers remained protected persons.

20. xxxxxx xxxxxxxxx (Magnox Group pensioner) asked about the Magnox Protected Persons consultation. David Gallagher recalled that EPTL had sent a letter of response in 2019 in support of protected persons status following the Magnox legislative consultation regarding the Government proposal to change Magnox protected persons status to allow for CARE pensions in line with NDA arrangements. There had been no response since 2019 albeit that Magnox Group employees were now employed by the NDA. It was perhaps less of an issue for the Government as the number of members involved had reduced significantly.

21. xxxxxx xxxxxxxxx (Magnox Group pensioner) asked whether EPTL would consider a legal challenge against the Government regarding the review of RPI. The Chair and David Gallagher felt that the Government had already been challenged on this by others and that as EPTL was not a party to the challenge, it would have to start from scratch. A significant consideration would be whether the substantial costs of such action would be a reasonable way the spend the Scheme's resources on a path already trodden by others.

22. xxxxxx xxxxxxxxx (UKPN Group member) and xxxxxx xxxxxxxxx (E.ON UK Group pensioner) raised issues on pension increases and maintaining RPI and it was agreed that these would form part of the discussion on the resolution later in the meeting.

Receipt of Annual Report and Financial Statements

23. The Scheme's Annual Report and Consolidated Financial Statements, and the Auditors' Report thereon for the year ended 31 March 2022 were formally received as confirmed by a vote of Scheme members.

Members' Resolution

24. xxxxxx xxxxxxxxx (UKPN Group pensioner) and xxxxxx xxxxxxxxx (E.ON UK Group pensioner) had proposed and seconded the resolution shown below and xxxxxx xxxxxxxxx spoke in support of it as did other members in attendance. In addition, the following question submitted by xxxxxx xxxxxxxxx (National Grid Group pensioner) was read out – "Is there any prospect of ESI Company Pension Schemes achieving similar annual increases this year? (all of which should be in in excess of the typical 5% limit, with description [discretion] above this figure)."

> **"ELECTRICITY SUPPLY PENSION SCHEME**
>
> **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:** xxxxxx xxxxxxxxx (UK Power Networks Group)
>
> **SECONDED BY:** xxxxxx xxxxxxxxx (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.

Members Supporting the Resolution : xxxxxx xxxxxxxxx (UK Power Networks Group) xxxxxx xxxxxxxxx (National Grid Group) **:** xxxxxx xxxxxxxxx (Western Distribution Power Group) **:** xxxxxx xxxxxxxxx (Southern Group) **:** xxxxxx xxxxxxxxx (E.ON Group."

25. The Scheme Secretary noted that Members' resolutions voted on and carried at the Scheme AGM did not have any power conferred upon them and could not instruct EPTL, Group Trustees, Employers or others involved in the running of the Scheme. If the resolution was carried, EPTL (and EPL if appropriate) would be notified of the result and might or might not decide to take any action in response to the resolution.

26. The resolution was then put to a vote on an electronic voting system and the Chair declared the resolution to have been passed, noting the number of votes as 88% for and 12% against.

Other Business

27. It was noted that xxxxxx xxxxxxxxx (National Grid Group pensioner) had submitted further questions regarding the date selected for the AGM and Scheme Wide Deeds and that the Capita team were in correspondence with him on these matters.

28. The Chair apologised for the IT technical issues during the AGM which had involved some connection problems and some lack of clarity in all being able to hear at certain times. These would be analysed as part of the review of the AGM and taken into account in the consideration of the format for next year's AGM.

Date of 2023 Scheme AGM

29. As reported earlier in the meeting it was confirmed that the next Scheme AGM would be held on Tuesday 21 November 2023, with the starting time to be confirmed. The Chair advised members and attendees to enter the date in their diaries.

Vote of Thanks

30. The Chair thanked all members present for attending the AGM and offered best wishes to all. xxxxxx xxxxxxxxx (EPTL Councillor and former EPTL Director) proposed a vote of thanks to the Chair Melanie Cusack, EPTL Directors and Reserves 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

31. There was no further business and the meeting concluded at 2.47 pm.

Note to Members:

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