

**The Association's Annual General meeting will be held on Tuesday 29 September at 14:00 at the Headquarters offices of Prospect:**

**New Prospect House 8 Leake Street London SE1 7NN.**

**Formal notice of the Association AGM is on the next page of this Newsletter.**

The main topic for this year will be the future organisation of the Association. This is an important topic, and we wish to hear further from you all views as to how we might proceed.

Our Annual Meeting guest speaker this year will be Neil Walsh - Prospect's Pension Officer who will speak on "The Protected Persons Regulations – Do they mean anything"

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**Don't forget that our Web site [www.aesp.org.uk](http://www.aesp.org.uk) contains a membership and standing order form.**

# **ASSOCIATION OF ELECTRICITY SUPPLY PENSIONERS**

Ben Flude  
**Honorary Secretary**  
'Westering'  
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The Twelfth Annual General Meeting of the Association will be held at the offices of Prospect 8 Leake Street Waterloo London SE1 7NN at 2.00 p.m. on Tuesday 29 September 2009.

**Light refreshments will be available from 1.30 p.m.**

- 1 Presentation – The Protected Persons Regulations
- 2 To receive and consider the Chairman's Report, the Accounts for the year ending January 2009 and the Fund Examiner's Report.

## **Resolutions**

- 3 To authorise the Council to appoint a Fund Examiner and to fix the remuneration.
- 4 To authorise the Council to commence negotiations with Unite regarding the formal affiliation of the Association into Unite.

## **Election of Council**

The members of the Council are: Mr Jack Andrews, Mr G Blackman, Mr Ben Flude, Mr David Laws, Mr Gordon Lewis, Mr Mike Moriarty, Mr Harry Sharrock, Dr Neville Wrench.

- 5 Mr Andrews and Mr Moriarty retire by rotation and offer themselves for reappointment.

Any other nominations for Members to serve as Council Members should be sent to me at the address below to arrive no later than 22 September. Nominations must be signed by the person proposed certifying his or her willingness to be proposed. The nominee and the proposer must be bona fide Members of the Association.

Any Member entitled to be present and vote at this AGM may appoint a Proxy to attend and vote for him/her. The name of any Proxy so appointed should be addressed to me at the Association of Electricity Supply Pensioners at the address above so as to be received no less than 48 hours before the holding of this AGM. Otherwise the person so named shall not be entitled to vote at this AGM.

## **Chairman's Report**

### **The Association – A Way Ahead**

One of the key functions of the management of any organisation is to ensure its future. As we come to our twelfth AGM it is time to consider the way ahead. Several of your current Council have been involved with our affairs from the Association's inception. We have had much useful positive input from previous members who because of personal and lifestyle pressures – including age - had to stand down. We have welcomed new members onto Council and their contribution is highly valued. However we need to safeguard our future. One way we might do this is to federate with another organisation and Council has been looking at this.

One of the key factors which we need to consider is that any organisation we might consider should be fully conversant with the issues of real final salary schemes and the need for effective communication with trustees and the sponsoring companies. Council has given considerable thought to this issue

One of the oldest pensioner organisations is the National Federation of Royal Mail and BT Pensioners. It is a large organisation and is able to afford a full time secretariat. Following successful discussions the British Steel Pensioners it successfully merged into what is now UNITE. (Not Unite the Union). UNITE is essentially a federation of local PO and BT groups and the British Steel Pensioners is now considered to be one with a seat on the main executive. Following BSP joining they have been able to increase the group membership by some 4,500.

UNITE is now to be reformed as a company limited by guarantee. UNITE through a separate company owns the freehold of its current premises in Luton.

UNITE offers a range of benefits to its individual members:

- Each member receives a magazine eight times each year
- There is free legal and tax advice
- Expert guidance on claiming state benefits
- Guidance on the occupational pension issues
- Free computer and internet problem solving.
- Access to a welfare fund

UNITE is also developing an ability to deal with money purchase members as well as defined benefit members which will be of increasing importance to all working in the private sector and especially our working colleagues.

Of course all this comes at a cost. UNITE's subscription is currently £15 per year or £23 for joint membership. Part of this is deemed to be the magazine subscription. Each group receives from the centre around £2.80 per member to spend on its own affairs.

## **Principles behind joining UNITE**

Council has had preliminary discussion with UNITE's General Secretary and has established the following principles.

AESP would be a group and would retain its identity. Any capital fund held at merger would be retained by the AESP Group. AESP would receive each year a grant per head of membership to be spent as the Group Committee decides.

The AESP Group would be able to nominate a member or members as members of the new UNITE Company.

We would have full access to UNITE's legal support. Membership fees would be only increased from our £10 over a transitional period.

## **Advantages**

We would be part of larger, and as a consequence, a more influential organisation. Access to ministers politicians, etc would be easier. Recognition might be easier. UNITE could approach our companies and trustees and hope to get a more cooperative response in terms of getting new members. The companies would have to consider UNITE as a representative organisation.

Whilst we could have a page or pages in the UNITE Magazine about AESP/ESPS matters we could still have our own Newsletter. The problems of production and distribution would be simplified. We might be able to get the retired groups in the ESI we know to exist to join as sub groups of the AESP group.

We would be part of a permanent organisation capable of tracking our Protected Persons Guarantee over time.

## **Distaff side**

The ESPS is very different in construction and rules – unique probably as a two-tier scheme. This would mean a steep learning curve for UNITE. There could be possible adverse reactions of our trade unions and any retired members groups in the unions. Against this they have never had a formal locus on pension matters unlike in the Royal Mail, BT and BS pension schemes. Also our unions are now no longer specifically dedicated electricity supply unions.

## **The Way Forward**

Council feels that further discussion with UNITE is highly desirable as a way towards further safeguarding the interests of electricity supply pensioners and scheme members and beneficiaries.

I hope the AGM will appreciate the work that has already been done and approve that Council should continue to negotiate with UNITE with the aim of bringing a definite proposal for a merger, or not, to the 2010 AGM.

## **Neville Wrench**

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### **A Point of View from Jack Andrews**

Just after the second World War when men and women were returning to civilian life and the economy was in a very poor state with rationing and austerity being part of everyday life, employment, education and healthcare became important considerations for the then Labour government. Maybe some will not remember those times as well as others but to mention them now is to remind ourselves how far we have progressed as a nation in the last 64 years.

Not everyone at that time supported the measures taken to nationalise the country's essential services such as electricity, water, mining and transport and, bearing in mind the UK's bankrupt finances, some thought it foolhardy and non-beneficial. Maybe some of us felt the same way. However, in the ensuing half-century, the trains ran on time, even if capital investment was lacking, water has remained available to us all and above all, electricity has been made available nationally to customers in all parts of the British Isles.

Not all this was achieved by central government indeed, apart from transport, the industries were able to operate within a broad framework without day to day interference. The actual work was done by the dedicated workforce in each of the industries concerned. In many cases there was a strong family connection with sons and daughters following dad into the same industry. The word dedication comes to mind, particularly on the railways, in the mines and also in our own industry.

Of course, much has changed since then. The country has become more solvent, more money has been poured into our domestic services and things like rationing have been consigned to the history books. However, let us consider also the effects that all these improvements have had in the workplace and to workers in general.

During the inter-war years, employers still retained some of the now almost defunct, “Cadbury” type approach to those who worked for them. Not only did they recognise the trades union movement, setting up works councils and embracing sickness and holiday pay, but they paid fair wages and paid due regard to retirement benefits for those who had devoted their lives to building up Britain and its industries.

Of course, it is easy to catalogue some of the adverse events. These must include the arrival of Dr. Beeching, who decimated our railway industry, the over-speedy closure of the coal mines, which left whole communities desolate and without employment and the privatisation of our own industry, which has led to a wholesale take-over by foreign-based companies bent on making profits at the UK consumers’ expense. There is currently an even greater danger that our existing base load nuclear generation of electricity and its extension by the building of several new larger units will create a monopoly of the basic generation market in the hands of one foreign company, EDF. The competition promised at privatisation seems to be going out of the window not only in generation but also in the distribution businesses, with four main foreign companies taking the lion’s share.

So what is happening to Pensions? Well, employers, in general, no longer have any “Cadbury” like feelings towards their former staff. There has been a wholesale closure of “end salary” pension schemes in the private sector and few remain open in our own industry. The reason for this is that, whilst employers have been willing to support such schemes during the “good” times, when they needed to recruit staff and retain their loyalty, they are now motivated by the profit motive and the “bottom line” approach in which pension schemes are turned from assets into liabilities. The current economic climate provides the perfect opportunity to “offload” such liabilities by closing schemes and, where the Rules permit, selling them on to private

insurance companies and other like corporations, thus avoiding the possibility of members invoking the Protection Regulations given to us under the 1989 Electricity Act.

Each of our ESPS schemes will have now produced its Annual Report supported by the Annual Funding Statement. Both these documents must be made available to members on request, as should be the Schedule of Contributions which sets out where the money comes from. Why not get in touch with your Scheme Administrator and ask for copies to be sent to you? It is the security of YOUR pension that these documents safeguard.

Having attempted to describe the pension prospects as they seemed in the 1940/1950s it is perhaps necessary to summarise the present position in our industry. We still have the “shadow” of the two-tier scheme that was re-established in 1990 and the most obvious manifestation of this is the ESPS AGM, which, this year is being held at the offices of Freshfields off Fleet St. on 7<sup>th</sup> October. Your trustees may not give you full details of the agenda, but we are including details in this Newsletter. You may wish to apply for further details and proxy forms if you wish your vote to support these resolutions.

Most of our schemes are now closed to new members and almost, if not all, are carrying very large deficits, caused by the poor investment returns created by the “credit crunch”. The immediate future is unhelpful but we need to bear in mind that pension schemes are very long term organisational investors and economic downturns are of short term duration. Our finances will improve because the Markets have nowhere to go but upwards from the present position; also, most schemes have reached binding agreements with their employers for the clearance of deficits over specified periods.

AESP is fully committed to ensuring the retention of the existing ESPS Rules, even if the Group Schemes continue to attract greater independence. We will fight tooth and nail to prevent the employers from selling off our schemes, using the Pensions Ombudsman and the Courts as necessary. We will continue to do those things that the trustees cannot do for members because of their conflicts of interests and their focus on their own Group affairs, as opposed to those of the wider ESPS. Above all, we will use all our resources to prevent the employers from circumventing the provisions of the Protection Regulations.

We can only do these things with your support and we hope that you will continue your membership of the Association and will encourage as many as possible of our former colleagues to join.

## What Price Cucumbers

Good news! Inflation is down. The RPI is negative. As pensioners are we pleased? No, I don't think so!

We have come to rely on the annual RPI increase in our pension to compensate for the continuing loss of purchasing power, which is the lot of the pensioner. Even this government, with its high standard of incompetence recognises that it must at least provide an increase to some of the basic state provision. We have all been promised a 2.5% increase in the basic state pension. The position of our pension trustees and our companies has still to be determined.

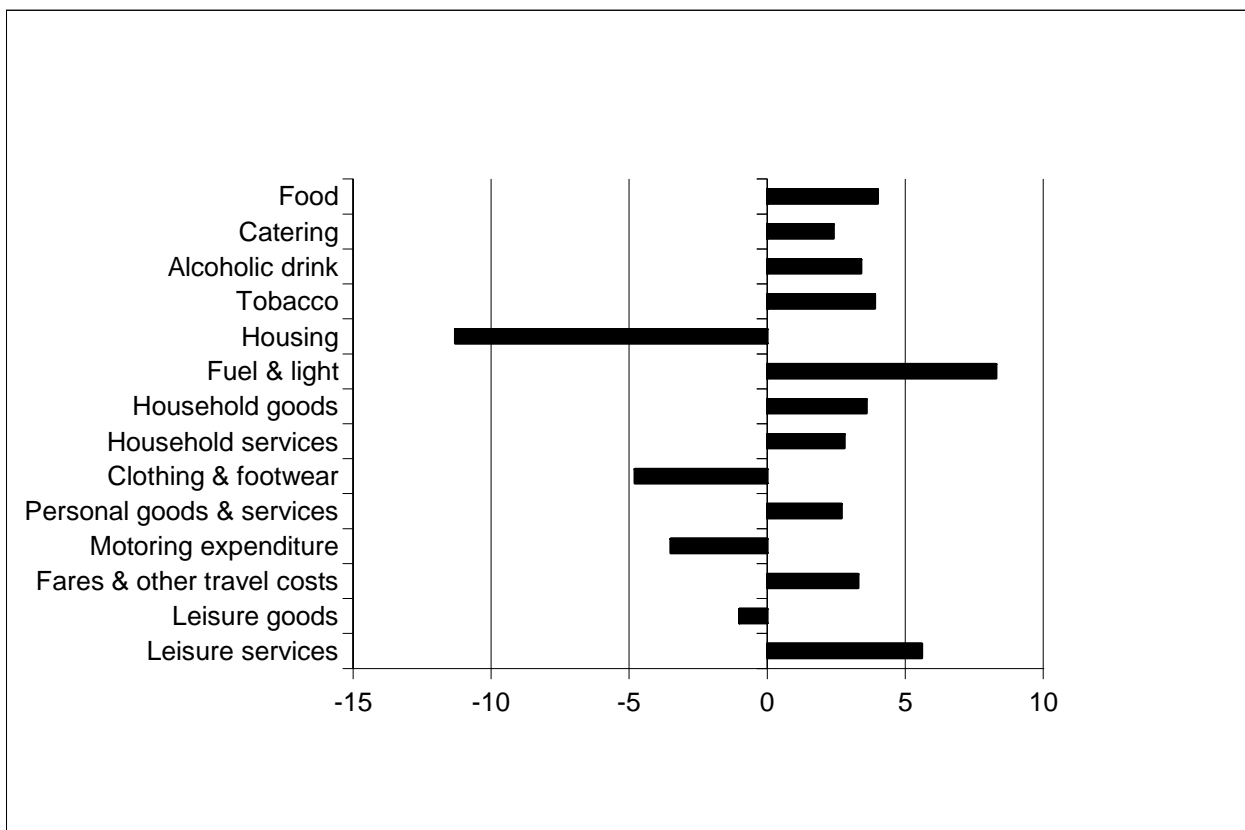
Why do we need an increase in our pensions? Well the simple fact is that the majority of pensioners do not have a mortgage, a key component of the RPI, and therefore have received no benefit from the fall in mortgage interest rates which have benefited mortgage payers. Quite the contrary we have seen our savings income brutally mutilated. By way of example the Association's own interest rate has fallen from 2.65% to 0.05%. I am sure many of us have seen even greater falls in our interest rates during the last year. I know I have.

On the interest front things are looking a little better now with some more attractive rates. You need to be very cautious however as many headline rates are only achieved at the expense of fees or a commitment to a regular monthly contribution. The reality is that one prominently promoted rate does not in fact, after charges, yield any more than about 1% and the follow on rate on any deposit over £2,500 yields only 0.1%. So look very carefully at the terms offered on current accounts.

The problem is much the same with deposit accounts, including ISA accounts. To get high income requires the money to be tied up for three to five years. Most of us cannot afford that luxury. The best rates are often internet based accounts and again this may not be all that helpful to pensioners who are not computer and internet savvy. Again the message is to look around and study carefully what is available. And whatever you do make sure you know when the fixed term ends and take action to protect your investment return. All too often mature funds will revert to the very lowest rate the bank or building society pays and they don't tell you – caveat emptor.

Let's return to inflation and why my headline. Looking at the basket of food that we might purchase we find that in fact costs have increased on average by 9%. Many of the essential staples have risen by much more, minced beef by 32%, tomatoes by 38%. Of course if you don't want to make your own bolognaise sauce its price has actually fallen by 2%. Potatoes, rice and pasta as well as milk, sugar and coffee are all up in double figures year on year.

The big household savers you might think, apart for mortgage costs, are gas and electricity. But no! On an annual basis gas and electricity are up by 10% and 5% respectively. Home insurance costs are also up and so of course, inevitably, is council tax.



Car insurance is also up by 10% but although road fuel prices appear to be down on an annual basis they are shortly expected to rise when the Chancellor adds an extra 2.5% later this year and as I write his fuel price adjuster has just kicked in for the second time this year with one more to come. Of course we can confidently expect VAT to return to at least 17.5% at the beginning of January 2010 and there must be a reasonable expectation that it could go to 20% later.

The good news is of course that electronic equipment and internet prices have fallen substantially but they that is just what every pensioner needs - a new computer every couple of years and changing his internet supplier regularly!

So why cucumbers? Well according to the Daily Telegraph and moneysupermarket.com the price of cucumbers has fallen by 16%. Something to put on your hard stressed eyes after looking on the internet for that better yielding account for your limited savings!

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## **Comment**

The final salary pension scheme is in the last stages of decline. The British 'jewel in the crown' which was the final salary pension scheme is now only available to MPs, employees of the Crown or other state employees. An unfunded pension provision which will see our grandchildren and great grandchildren who chose to work in the private sector paying for this unfunded provision through general taxation and council tax whilst they struggle to find some savings for their old age.

One ray of hope I suppose is the FSA's decision to close its scheme; pay its staff affected an extra 10%; and tell them to join a money purchase scheme. Oh what fun it would be if a government was brave enough to do this to all its now feather bedded employees. The very least it might do is create a proper pension investment fund for new accruals rather than relying on the taxpayer to meet pensions out of current revenues. This way money might be more efficiently invested by the private sector unless of course the government actuary required it all to be invested in gilts.

It is also interesting, but smacking rather of old labour, that one MP has now suggested that public sector pensions be capped at £50,000. The suggestion has produced an inevitable response from the First Division Association.

The problem of unfunded public sector schemes is perhaps not the fault of the members of those schemes although the decline in private sector schemes may be. The problem is long standing and stems from a failure by government and its intimate advisers to understand the long-term benefits of the final salary schemes in the private sector. The failure to recognise that schemes are operated with some thing like a sixty to eighty year time horizon was monumental. Instead the schemes were seen as 'milch' cows to be raided in one form or another for short-term political expediency. Surpluses

were seen as a short-term issue and no thought to the longer-term issues of benefits which be accrued from surpluses. Continued availability of funds to invest in future growth for one. An ongoing problem for those who might wish to promote the concept of a final salary scheme is the regularity with which some wiseacre or other commentator calculates the deficiency of schemes. This month the national deficit is £80 billion whilst last month it was only £75 billion or whatever. These figures are meaningless. No one expects the schemes to wound up and the liabilities met instantaneously.

What trustees need is a stable time horizon which will let them predict their five to ten year cash needs reliably and make appropriate reserves available to meet that need. For the rest the assets can properly be invested for long-term growth. Of course by stripping so much money out of pension funds successive chancellors have reduced that long-term investment capability which can only be to the overall detriment of the British and worldwide economy.

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## **Subscriptions**

**Subscriptions, £10:00, are now due and a reminder notice will be sent to those who have not yet paid later this month or at the beginning of October. Thank you to all of you who responded to the earlier request and particularly those who have executed a standing order. It makes admin so much easier.**

**Cheques should be payable to AESP and sent to PO Box 64 ASHTEAD KT21 2YS.**

**A very small number of members who sent cheques previously had already paid by Standing order. These cheques have not been presented.**

## **OFGEM DISTRIBUTION PRICE REVIEW CONSULTATION**

OFGEM (The Office of Gas and Electricity Markets) is the quango, set up to regulate the amount of income that the regulated electricity and gas companies can recoup from customer tariffs. During the year OFGEM has continued its consultation on the role of pensions' costs for the distribution price review with the intention of incorporating its conclusions into the new distribution formulae coming into force in 2010.

AESP is an interested party because employment costs form a substantial part of the overall cost being reviewed. In July OFGEM published another 60 page consultation paper.

In their earlier paper they had made many errors – even suggesting that they might instruct pension fund trustees to restrict benefits and cut costs. This was so obviously illegal and impossible that, in company with the Trades Unions and other pension schemes, we felt that they had not researched their proposals properly and that this evidenced their inefficiency and ineptness. We reported this in our last Newsletter and have published our response to that first consultation.

The July 2009 paper is largely concerned with the substantial deficits which our schemes have accrued during the current economic downturn and the whether these should be fully passed on to the customer in the form of tariffs or perhaps set against the suppliers' overall profits – making them partly or wholly a shareholder cost.

The document specifically states that OFGEM and its advisers have found no fault with the manner in which our trustees have carried out their functions. OFGEM however seems to be transfixed by the issue and is suggesting that some form of “benchmarking” can be applied to future costs to restrict the amounts that can be passed on to customers.

The Association has argued consistently that pension costs are normal employment costs and as such are not different from wages and salaries, which have always previously been passed through into tariffs without question.

Much useful work was put in by Jack Andrews and Gordon Lewis to understand and comment on the various issues raised and a full Association response has now been submitted to OFGEM. We will let you know the outcome of all this in our next newsletter and, in the meantime we look forward to members' support for the responses that we have made on your behalf

ELECTRICITY SUPPLY PENSION SCHEME  
**NOTICE OF ANNUAL GENERAL MEETING OF SCHEME MEMBERS**

**The twenty-seventh Annual General Meeting of the Members of the Scheme will be held in the auditorium at Freshfields' offices at 65 Fleet Street, London EC4Y 1HS on Wednesday 7 October 2009 commencing at 1.30pm.**

The full notice, motions and agenda have been placed on our website – [www.aesp.org.uk](http://www.aesp.org.uk). The motions for which you invite you to vote for either in person or by proxy are below and a tear off proxy form is on the back page of this Newsletter. ***It must be sent to the Scheme Secretary not us.***

**Resolution to be proposed by Mr Jack Andrews and seconded by Mr Geoff Blackman**

Clause 29(1) of the Scheme Constitution reads as follows:

"The Secretary or the Group Administrator (as may be appropriate) shall convene a General Meeting of the Members or of the Members associated with a Group (as the case may be) by giving, in such manner as the Scheme Trustee or the Group trustees (as the case may be) may determine, not less than fourteen days' notice of the date, place and hour appointed for such a meeting and of the business to be transacted thereat."

In recent years (and possibly since the Scheme began) notice of the ESPS AGM has been issued by the Scheme Secretary advising Group Administrators in April of the date, time and venue with a second notification in September containing the full agenda. On each occasion the Secretary has requested Group Administrators and trustees to inform their members in a "timely" manner.

Due to the fact that, in 2007, at least one Group decided to give a single and only notification to members in June/early July for the meeting being held in October, attendance at the ESPS AGM appears to have fallen. Some members have not therefore received either "timely" or complete details of recent meetings.

At a meeting on 30<sup>th</sup> June 2009, EPTL General Purposes Committee decided to "recommend" a two stage notification to members and circulated to Group

trustees and Administrators a revised explanation of the Scheme AGM communication arrangements. However, they also accepted legal advice that the Secretary/Scheme Trustee's legal responsibilities would be satisfied by a minimum, single stage, notification in June/July.

This decision has been further complicated by advice from a Group legal adviser to the effect that "there is no legal requirement on the Group Trustee to send out the agenda and supporting papers to members".

In order to clarify this unsatisfactory situation, and to ensure that all members have a "timely" notification and the opportunity to see the full agenda, including any members' motions – which do not have to be submitted before the end of August – we are inviting those members who actually receive this motion to either attend the meeting and vote or use their proxy votes to seek a change in the Scheme rules as follows:

In view of recent confusion in the procedures for calling the ESPS AGM and to encourage greater member satisfaction in Scheme affairs, we request the Scheme Secretary/and Scheme employers to amend Clause 29(1) to include the words "not less than fourteen days and not more than four weeks notice of the date of, place and hour appointed for such meeting and of the business to be transacted thereat".

This would still leave an option for the early notification also to be sent in June.

### **Resolution to be proposed by Mr David Laws and seconded by Mr Ben Flude**

Defined benefit pension schemes are under extreme pressure, many employers are saying that with many schemes in deficit, the ongoing costs are too high notwithstanding the reduced contributions employers enjoyed when there were fund surpluses.

OFGEM and the Governments Actuary's Department are monitoring closely the Distribution Companies and National Grid pension schemes and are seeking new ways to reduce pension costs.

All ESPS scheme members are concerned that their pensions are secure.

We ask EPTL to closely monitor all potential threats to the ESPS, seek necessary legal guidance and report back to future ESPS AGM's.

**FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING  
OF THE MEMBERS OF THE SCHEME ON 7 OCTOBER 2009**

**THIS FORM OF PROXY RELATES TO THE RESOLUTION PROPOSED BY MR DAVID LAWS  
AND SECONDED BY MR BEN FLUDE (ITEM 10 ON THE AGENDA)**

To: The Secretary  
Electricity Supply Pension Scheme  
52 – 54 Southwark Street  
London SE1 1UN

**PLEASE COMPLETE IN BLOCK CAPITALS**

I, .....  
*(insert full name in block capitals)*

a Member of the .....Group of the Scheme  
*(insert name of the ESPS Group of which you are a member)*

hereby APPOINT *(please tick one box only)*

the Chair of the meeting

OR

..... *(insert full name in block capitals)*

**who is a Member of the ..... Group of the Scheme and who will be attending the meeting**

as my PROXY to vote for me on my behalf on the resolution which is item 10 on the Agenda of the meeting in the event of a poll being demanded and taken at the meeting.

I wish my vote to be cast *(please tick one box only)*

for the resolution

against the resolution

as my proxy thinks fit

I acknowledge that my vote by proxy will be cast on the basis that I will not have heard the discussion about the resolution at the AGM.

In the event of a proxy vote being granted to a nominated member who is not present at the AGM, the proxy vote by default will be cast by the Chair of the meeting.

Signed.....

Dated.....

**FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING  
OF THE MEMBERS OF THE SCHEME ON 7 OCTOBER 2009**

**THIS FORM OF PROXY RELATES TO THE RESOLUTION PROPOSED BY MR JACK  
ANDREWS AND SECONDED BY MR GEOFF BLACKMAN (ITEM 11 ON THE AGENDA)**

To: The Secretary  
Electricity Supply Pension Scheme  
52 – 54 Southwark Street  
London SE1 1UN

**PLEASE COMPLETE IN BLOCK CAPITALS**

I, .....  
*(insert full name in block capitals)*

a Member of the .....Group of the Scheme  
*(insert name of the ESPS Group of which you are a member)*

hereby APPOINT *(please tick one box only)*

the Chair of the meeting

OR

..... *(insert full name in block capitals)*

**who is a Member of the ..... Group of the  
Scheme and who will be attending the meeting**

as my PROXY to vote for me on my behalf on the resolution which is item 11 on the Agenda of the meeting in the event of a poll being demanded and taken at the meeting.

I wish my vote to be cast *(please tick one box only)*

for the resolution

against the resolution

as my proxy thinks fit

I acknowledge that my vote by proxy will be cast on the basis that I will not have heard the discussion about the resolution at the AGM.

In the event of a proxy vote being granted to a nominated member who is not present at the AGM, the proxy vote by default will be cast by the Chair of the meeting.

Signed.....

Dated.....