

**The Rearranged Annual General Meeting** will be held NATFHE 27 Britannia Street (off Grays Inn Road) Kings Cross London WC1X 9JP on Thursday 15 September 2005 at 14.30. We have invited as our guest speaker Tony Allen Secretary of the ESPS who will look at some of the latest issues affecting the Scheme.

**Members will be only too well aware that the original date of our AGM was that tragic day, 7 July.** We know of several members who were trying to attend and who were stopped well short of London, let alone Kings Cross. The Council was due to meet in the morning as it has done prior the every AGM. This year only four members made it, and then at different times. Each member of Council has a different story to tell about how they either got to, or failed to get to, the meeting.

We are very fortunate that that Tony Allen can be with us on our revised date. Please do your best to attend on 15 September and give Tony a good audience.

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## Chairman's Annual Report

Once again I have pleasure in presenting my annual report.

Pensions have never been far from the top of the financial pages during the last year. Mostly, of course, it has been about company failures and the consequential loss of pension rights. Nationally one thing is clear company managements still safe guard their own pension positions but, at the same time, have little regard for the ordinary members of their pension schemes.

The general election made little or no difference as to how politicians viewed the pensions issue. There seems no longer to be any coherent view about the need to save for the future and how best this can be achieved. On the one-hand government says it wishes to encourage saving for retirement and on the other it does its best to limit what can be achieved. The Chancellor continues to take large amounts, £5 billion each year, from pension funds. The Regulator will of course be levying funds such as ours in order to make up his protection fund. Savings for pensions are now capped so high earners will no doubt try to benefit from any legal or accounting wheeze that can be dreamed up. Save a modest amount as an average wage earner and you find yourself close to the poverty line without any top-ups from a vastly over complex over bureaucratic regime of pensions and welfare. Even the DWP is not above sleight of hand when it makes offers regarding deferring taking of the state pension. It appears clear that it never consulted the Revenue vis-à-vis the possible income tax consequences and there is a very real risk that the lump sum will be taxed at the highest marginal rate.

The best that can be said is that government is tinkering around the edges of what has become known as a 'pensions crisis' because that is all it is capable of doing because of the bureaucracy. The inertia of the political system and its decision making seems to confine decisions to what will benefit the party in power in the two to three year time frame. Because pensions are about a forty to seventy year time frame the decisions need action taken by far sighted action statesmen not mere journeymen politicians looking to preserve their seat; and gold plated pension! Perhaps the pensions issue needs a man of the calibre of Sir William Beveridge.

The new Pension Act may bring some short-term benefits to some people, and no one denies that there must be a lifeboat. But why does no one have the courage to come clean and say that pension funds are deferred pay and therefore the property of the fund member and not continue with this archaic no defined ownership formula of "held is a separate trustee administered fund". Lord Hoffman did us no favours.

The Pensions Act eventually emerged with its much-vaunted protection clauses. Already being called into play there is every suspicion that the Regulator will become an investor as a result of taking holdings in companies when he takes on pension risk. It will be interesting to see how the Regulator behaves, as he increasingly he becomes an equity shareholder. 'Nationalisation by the back door' was one commentator's observation.

Within the ESPS the main event of the year was the 2004 actuarial valuation of the scheme and how our companies have responded to the deficits disclosed as a result. As you will have read in AESP News the deficit is substantial at just over £3 billion. However we should remember the scheme has assets of over seventeen billion pounds.

Elected trustees have been in a difficult position as, in the end, it is for the companies to determine how a deficit may be repaired. In some groups there is an independent trustee and he has had to approve the arrangements. One thing I feel we should be confident of is that all the groups can continue to pay current pensions and indeed pensions that will arise in the next few years. In other words our schemes are in a reasonable position when looked at on an ongoing basis. Deficit repair is about the long term. The problem is what is meant by the long term. We would all like to get our scheme funds back into the position where there will can real growth in the value of our funds and the opportunity for real, not RPI, benefit improvements.

It remains a key aim of the Association that we would wish to see that every group should pay the best benefits that can be achieved. It is not easy to understand the benefit structure because group trustees have used their flexibilities in different ways at different times. However it remains a fact that there is still a substantial difference between the best and the worst within our groups' benefit structures. Closing this gap must be a priority when the opportunity arises. The recent rises in the values of equities will give heart to those trustees who were able to maintain a high proportion in their funds. Those who chose the greater security of bonds will face an uphill struggle to improve benefits.

The energy regulator entered the deficit debate by allowing the regulated companies to recover the deficit – it is after all a pay bill cost – over what he assumes to be the average working life of current employees. This seems to be in the region of thirteen years. For your Council and many elected trustees this is beyond what we believe to be reasonable. As you would expect our companies have taken different attitudes – some have put in place guarantees, some have deposited irrevocable letters of credit, some have had revaluations with different assumptions. In some respects we are talking funny money if we can assume that in no way are any of our groups at risk because the principal employer is at risk. However as we have seen in

recent years electricity companies are now not immune from commercial risks. We must be ever alert to the possibility of that an electricity company could fail with the potential risk that implies for the pension group and its members and pensioners.

Because of the risk we have been keen to understand the possible interpretation of the Electricity Protected Persons Regulations. These are untested in the courts and given the cost we would not wish to do so unless absolutely necessary. Council has sought views for itself and we are aware that the electricity companies and possibly some trustees have sought views. Certainly in one case the company has stated that it made its deficit repair arrangements so that it would not prove necessary to test the Regulations.

We must be very grateful for the work of our trustees particularly our elected ones. This is difficult, voluntary, work. We have a gold plated arrangement of 50-50 elected nominated with pensioners eligible for election. It has worked well for years. We like the voluntary aspect of elected trustees but we are aware of moves, because of the increasingly complexity of pensions law, for trustees to properly trained – which makes sense - and also paid. We have no issue with the former but the latter gives cause for concern given what we know happens in some other pension schemes where trustees are paid. We do not like the idea of ‘professional’ elected trustees particularly if they are found from ex trade union officers. We believe payment would drive out the commitment we have from our volunteers.

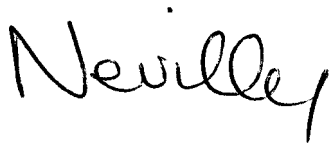
We are also conscious that the sale and merging of electricity companies loses us much volunteer experience. In addition the larger electricity companies are seeking administrative savings by merging pension groups. This is a complex business as benefit structures in the merging groups differ, the numbers of members and pensioners are different, and, of course, the deficits are different. Again these are cases where the number of elected trustees will be reduced and more expertise lost. Currently the scheme rules written by the companies permit them to make these decisions without consulting the trustees, let alone the membership.

Some of these issues are of course common to other industries and we need to view the pension scene in the round. We have joined with other pensioners’ organisations in the new Occupational Pensioners’ Alliance. The OPA is a democratic, non-political, organisation of occupational pensioners’ associations in the UK. OPA was formed in October 2003 from a merger of the Confederation of Occupational Pensioners’ Associations (COPAS) and the Alliance of Occupational Pensioners (AoP). There are now over thirty affiliated associations and this organisation gives us a real opportunity to ensure that the voice of occupational pensioners is heard.

For those of our members whose pensions, whatever their current value, will become increasingly modest as time passes we must collaborate to get national pensions brought to a proper, non means tested rate. The bureaucracy of pensions must be simplified. For the unions, who are at long last waking up to the fact that pensions are an issue, welcome on board. We will continue to support the general aims of the National Pensions Convention.

On a personal note, very reluctantly, because of other pressures, I was not able to attend our Council meetings in February and April. I am very grateful to Jack Andrews who took the chair on both occasions.

I am also grateful to all the Members of Council for their input to our work. Pensions are a long haul activity but for pensioners today is of the essence, so that we must always be alert to the risk and we much strive to seek real improvement to benefits. Please feel free to offer your services to your Association. We know you cannot all come on the campaigning trail, that is the nature of being a pensioner, but it is all our interests which we aim to protect and of behalf of Council I thank you for your continued support.



**Neville Wrench**

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## **Reflections on Scheme Developments**

The season of AGMs is once again upon us. The Association meeting is on 15<sup>th</sup> September and the ESPS on 12<sup>th</sup> October. A lot has happened since last year. We now have a new Pensions Act which will, hopefully, give greater powers to pension scheme trustees. The Government has at last woken up to the fact that the pensions “crisis” has to be addressed and staff are now being encouraged to work longer and take their retirement pensions later.

Whether these proposed measures are a benefit or a cross to bear depends very much upon whether you are still working or whether you are thankfully retired and already able to enjoy the fruits of your pension “investment”. Fortunately, most ESPS members will escape the Act’s harsher changes because many of our schemes have been closed to new members and the Electricity Supply Protection Regulations protect existing benefits for those in post on 1<sup>st</sup> April 1990.

The ESPS Scheme rules are a protection in some respects and the employers cannot change the principal Scheme benefits without a two-thirds members' vote in favour of such changes. However, ESPS employers can sometimes use the rules against us.

ESPS Rule 17, for example, was originally designed to facilitate the bulk transfer of members from one scheme to another, as occurs when one ESPS employer acquires part of the business of another ESPS employer and the relevant staff transfer with the business – and with their benefits protected.

Unfortunately the interpretation of this rule has been extended to allow the employer to oblige some scheme trustees to transfer their total funds to another ESPS scheme and to deny the “parting” trustees any legal right of objection. Recently, a scheme with 12,000 members (£1.1billion) was transferred in this way to a scheme with 9,000 members (£700 million). The only restriction in such transfers is that the scheme Actuary must certify that existing and future benefits will be maintained and that there are sufficient funds to meet the liabilities (including employer promises to repair deficits). In past such transfers, the employer has often improved or equalised benefits in the merged scheme but, with schemes now having deficits, employers are not so generous – even though they save money by effecting the mergers.

We should not forget that employers and shareholders have, in past years, benefited considerably from surpluses. Also, customer prices reflect the companies' costs, including any pension scheme expenditure. Perhaps not too many tears are in order!

The Association is still pressing on with its enquiries into the procedures contained in the Protection Regulations. The employers are telling us that the scheme trustees have no role to play in these Regulations and that they are not obliged to fund the schemes in anticipation of insolvency or other employer failure. They further say that these are matters solely between the member and the employer after insolvency has occurred. This is nonsense, because the Regulations are there to protect members' pensions at the very time of employer failure. The employers' case is that a member must bring successive actions against previous employers until you find one that is solvent and has not legally abrogated its responsibility.

Our directors will be attempting to bring forward resolutions at the ESPS AGM about both the Regulations and the Scheme transfer rules. We need your support for these two motions on 12<sup>th</sup> October and we suggest that you raise these subjects at your own scheme's AGM and see if you are convinced by the answers that you receive. Please also come to the AESP AGM on 15<sup>th</sup> September, when we hope you will give a warm welcome to the ESPS Scheme Secretary, Tony Allen. Until next time.....



## **ASSOCIATION OF ELECTRICITY SUPPLY PENSIONERS**

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The Eighth Annual General Meeting of the Association will be held at the NATFHE 27 Britannia Street (off Grays Inn Road) Kings Cross London WC1X 9JP on Thursday 15 September 2005 at 2.30 p.m.

**Light refreshments will be available from 2.00 p.m.**

### **Special Guest Speaker**

Our Speaker this year will be Tony Allen Secretary of the ESPS

### **Reports**

- 1 To receive and consider the Chairman's Report, the Accounts for the year ending January 2005 and the Fund Examiner's Report.
- 2 Developments in the ESPS

### **Resolutions**

- 3 To authorise the Council to appoint a Fund Examiner and to fix the remuneration.
- 4 To increase the number of members of Council to nine.

### **Election of Council**

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

4. Mr Sharrock and Dr Wrench retire by rotation and offer themselves for reappointment. Mr Geof Blackburn is proposed by Council to replace Mr Cooper who is resigning at the meeting having served two terms as a member of Council.

Any other nominations for Members to serve as Council Members should be sent to me at the address above to arrive no later than 1 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