

ASSOCIATION OF ELECTRICITY

SUPPLY PENSIONERS

Honorary Secretary : **Ben Flude**

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The 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 26 January 2016.

Business

1 To receive and consider the Annual Report and the Accounts for the year ending January 2015.

Election of Council

2 Mr Sharrock and Mr Blackman retire by rotation and offer themselves for re-appointment.

Any other nominations for Members to serve as Council Members should be sent to me at the address above to arrive no later than 14 January. 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.

Association of Electricity Supply Pensioners Limited
is a company financed by subscription limited by guarantee
Registered Number 3148917



Our Mailing Address

Our general mailing contact for membership purposes is Gordon Lewis.
All correspondence including subscriptions should be sent to:

AESP
59 Rushmoor Gardens
Calcot
READING
RG31 7AJ

Notice of Association's AGM

This year's Annual Meeting will be at the Offices of Prospect 8 Leake Street Waterloo London SE1 7NN on Tuesday 26 January **2016** at 2.00 p.m. The formal notice and accounts are on the back page.

Pensions increases April 2016

The good news is that the basic state pension will have its biggest rise in real terms since 2001. This is the result of the Government's decision to apply a 'triple lock' to basic state pensions. The new weekly amount for those in receipt of a full state pension will be £119.30. This 2.9% rise will be worth an extra £174.20 a year to someone on a full basic state pension.

How will other pensions fare?

* ESI Pensions

Our defined benefit pensions are indexed by the RPI so should rise by 0.8% in April.

* Additional state pension (ASP)

The legislation requires the ASP to be updated at least in line with prices. It does not specify what measure of prices should be used – just that it should be the "general level of prices obtaining in Great Britain, estimated in such

manner as the Secretary of State thinks fit." Since April 2011, the Consumer Prices Index (CPI) has been used as the measure of prices. The negative CPI index means this part of the state pension will not rise in April 2016.

The negative CPI will also be bad news for anyone who has any other type of public sector pension or allowance. These are all linked to CPI and so will not rise next April, unless the Government decides otherwise.

The 'triple lock'

The Government's 'triple lock' guarantee is for the next five years. The Government said maintaining the policy for the rest of the parliament would "ensure that pensioners who have worked hard and made a contribution during their working lives have their incomes protected".

It requires that the basic State Pension increases every year by whichever is the highest:

earnings - the average percentage growth in wages (in Great Britain)

prices - the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)

2.5%

The September indices were: **Wages : 2.9%, CPI : -0.1%, RPI : 0.8%.**

The Government has also confirmed it will continue to protect other pensioner benefits, including winter fuel payments, free bus passes, TV licences, and free prescriptions.

The triple lock policy has been branded "absurd" by the Institute for Fiscal Studies. A view increasingly shared by other commentators. The Organisation for Economic Co-operation and Development (OECD) said that the triple lock is "one of the most bizarre policies" implemented in UK pensions for a long time. The same report says that public funded pension in the UK as a proportion average wages is one of poorest in the world. Until Gordon Brown cast envious eyes on defined benefit 'surpluses' and actuaries then woke up to the fact that we are all living longer Britain's pensions, public plus private funded, were amongst the best in the world. Auto enrolment has a long way to go to restore the *status quo ante*.

Let's hope the Government holds its nerve on the triple lock!

AESP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2015

INCOME AND EXPENDITURE

	2015		2014	
	£	£	£	£
Subscriptions and other income	4,452		4,060	
Gross Income		<u>4,452</u>		<u>4,060</u>
Administrative expenses				
Publicity	608		746	
Postage, Printing and Stationery	244		222	
Council Members' expenses	1,317		1,423	
Pensioners Alliance	90		40	
Facilities	370		511	
Website	174		136	
Officers expenses	146		52	
Companies House	14		14	
Accountancy and taxation	<u>248</u>		<u>243</u>	
		<u>3,211</u>		<u>3,387</u>
		1,241		673
Interest Received		<u>28</u>		<u>28</u>
Surplus for the Year		<u><u>1,269</u></u>		<u><u>701</u></u>

BALANCE SHEET AS AT 31 JANUARY 2015

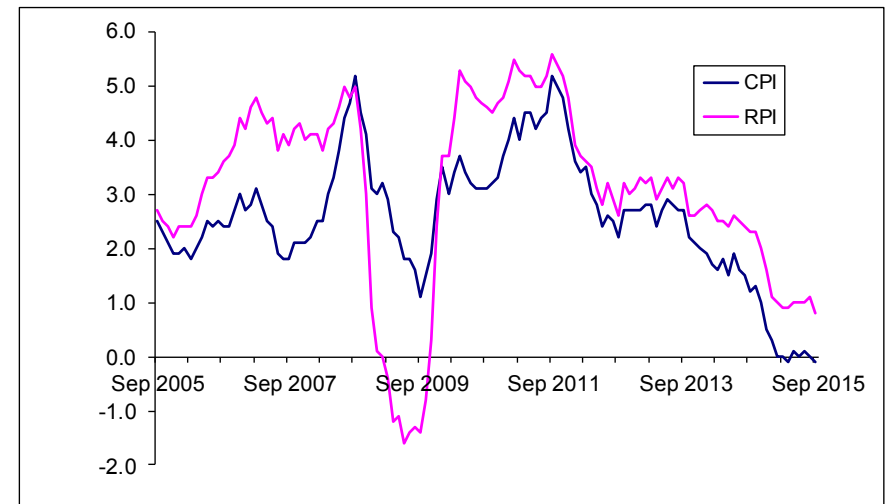
	2015		2014	
	£	£	£	£
CURRENT ASSETS				
Cash and Bank	67,741		66,474	
Debtors and prepayments	<u>-</u>		<u>-</u>	
		<u>67,741</u>		<u>66,474</u>
RESERVES				
Legal Fund Reserve		<u>67,741</u>		<u>66,474</u>

All annual surpluses are added to the Legal Fund

For the year ending 31 January 2014 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Inflation

The rate of inflation as measured by the CPI has been at or around 0.0% for most of 2015. This is the lowest rate of inflation for many years.



The new State Pension will not affect current pensioners

The new single-tier pension **will only affect people reaching State Pension age from 6 April 2016 onwards**. That is:

- women born on or after 6 April 1953
- men born on or after 6 April 1951.

The current State Pension and benefit systems will continue for those who are already pensioners or who reach State Pension age before 6 April 2016.

The Electricity Supply Pension Scheme

Financially the Scheme as a whole was in good health at 31 March 2015.

The Scheme paid benefits of £1.6 billion and received contributions of £1.4 billion.

Investment income of £0.4 billion was received and the market value of the investments increased by £4.8 billion in the course of 2014-15

- £743 million was paid by the companies by way of deficit repair
 - Scheme assets stood at £36.2 billion at 31 March 2015.
- During the year the Scheme was amended to provide benefits for members with same-sex spouses which are the same as for members with civil partners.

There are twenty three groups within the Scheme. Group assets were:

Group	2015 £ million	2014 £ million
British Energy Generation	5,347	4,480
Carillion	93	72
Central Networks	2,962	2,560
Drax Power	226	188
EA Technology	77	68
EdF Energy Generation & Supply	759	636
Eggborough Power	143	121
Electricity North West	1,274	1107
E.ON UK	4,242	3,873
EPSL	9	8
First Hydro Company	118	101
International power	256	214
Magnox Electric	2,906	2,603
Manweb	1,135	1,028
National Grid Electricity	2,451	1,964
Northern Powergrid	1,590	1,351
Powerhouse Retail	204	173
RWE npower	5,164	4,420
Schneider	25	20
Southern Electric	1,858	1,652
UK Power Networks	3,143	2,735
United Utilities plc	420	364
Western Power Distribution	1,778	1,524

Finding Pensions

If you moved between jobs while working you may have a pension with more than one employer. You can track down and claim your money by using The Pension Tracing Service. The service is free and can help you trace a pension that you've lost track of, even if you don't have the contact details of the provider.

All you need to know is the name of your previous employer or pension scheme. But if you can, collect as much information as you can find about the employer:

- any previous names it had,
- the type of business it ran,
- whether it changed address; and
- when you belonged to the scheme.

Ensuring you have all these details, then call the Pension Tracing Service on 0845 600 2537 who will check your information against its database of pension schemes. They should be able to give you details of the pension's administrator - you then need to contact the pension administrator to ask for your pension to be paid.

Or you can send an online form directly to [Pension Tracing Service](#).

Thinking about retirement

If you are thinking about retirement you will want to consider your options.

For ESPS pensions you will obviously talk to your pensions administrator.

You should also get a pension forecast for the state pension scheme. The State Pension rules will change on 6 April 2016 so you will have different benefits depending on whether you retire before or after 6 April.

You can download an inquiry form from:

<https://www.gov.uk/government/publications/application-for-a-state-pension-statement>

or telephone the **Future Pension Centre helpline** Monday to Friday, 8am to 6pm on 0345 3000 168

If you need more general advice on pension options regarding defined contribution schemes you can contact the **Pension wise** service (<https://www.pensionwise.gov.uk/>) or telephone 0345 600 4274.

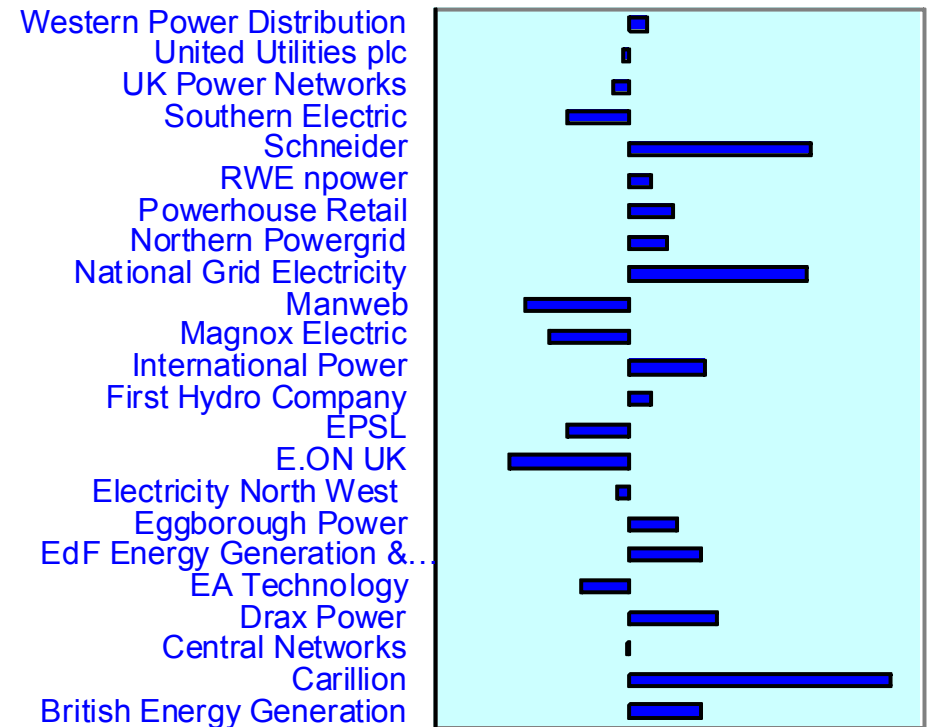
The Association does not support this change and believes that, once a candidate has been constitutionally nominated it should be for the membership to decide by ballot which candidates are elected to become trustees for the respective periods of office.

Any attempt to involve paid for external organisations in this process gives rise to suspicion of unwarranted and possible 'political' interference in members' choice of their trustees and must be avoided at all costs. Of course, questions of cost and of who pays for these services is another factor.

Once the candidate is in post he/she must be committed to ensuring that they become 'qualified' to carry out that role. The ESPS Constitution already provides for the removal of member trustees who are considered to be inefficient or unsuitable for any reason. The pertinent Clause states that, at any time, a majority of the elected trustees can decide to dismiss any of their number. This Clause is robust and has been used very recently; it surely negates any need for the employment of an outside organisation in the process and raises suspicions as to the reasons for such action. In addition, is it not preferable for the existing trustees who have first hand experience of their colleagues to take these decisions rather than a paid external organisation using a brief interview procedure?

Perhaps, if members feel aggrieved by these measures- which are still understood to be under consideration in some of our Schemes rather than implemented at the present time - it is necessary to send a message to our trustee boards that we do not support such changes. One way of doing this is to examine the candidates' election statements carefully before casting your votes and, in cases where the change has already been made, to consider the fact that such changes could not and cannot be implemented unless the existing member trustees have supported them. Time for a change and fresh thoughts? Possibly a need for changes amongst our existing trustees and the election of alternative candidates who may reverse this process? Members may like to consider these matters carefully before casting a vote.

The chart below shows the relative performance growth of each group's investments with respect to total scheme growth over the year. A group's relative performance should be viewed in terms of the group's investment strategy which is determined by its membership profile. For more information on your group's performance you will need to contact your scheme administrator.



Contact Information for the ESPS

It is always helpful for your dependents and executors to know who paid your pension and who may pay spouses or similar benefits. We would encourage everyone to make sure this information is easily available particularly with the regular takeovers, mergers etc which have taken place over the 25 years since privatisation.

Do leave detailed records of your scheme membership. However if this information is missing Capita should be able to provide the required group membership. The National Insurance number will be a great help.

For tracing purposes please contact Mark Smith at mark.smith7@capita.co.uk

or Capita 65 Gresham Street LONDON EC2V 7NQ

New Pension Rules - Caution Advised

In the last issue we urged caution with respect to the new freedoms granted in the Pensions Act.

In any event you are not able to transfer money directly out of a defined benefit scheme such as ESPS. You will first have to arrange a transfer of your fund to a provider who will accept your transfer into a defined contribution pension draw down fund. Only then would you be able to take advantage of the new flexibilities which are:

- take the whole amount as a lump sum
- take a number of lump sums out
- arrange "flexible drawdowns", where lump sums or regular payments can be drawn down, or buy an annuity.

Only 25% of your fund can be withdrawn tax free. Anything above this will be at your marginal rate of tax at the time of the withdrawal. Take too much at once and you be faced with a large tax deduction.

You could of course not take all of the fund and any left on death can pass free of inheritance tax to a named beneficiary.

Xafinity, one of the UK's leading specialists in pensions and employee benefits, has reported that the number of members of defined benefit schemes accepting a transfer payment in October and November 2015 was around double the number of members accepting a transfer payment in January 2015. It comments "With an increasing number of DB pension schemes currently reviewing their standard member communications to ensure that members are aware of their options, it will be interesting to see how levels of activity develop in coming months."

Financial health warning:

Before you can do anything you will be required to take financial advice.

Don't forget if you spend, transfer or give away any money that you take from your pension pot, the Department of Work and Pensions (DWP) will consider whether you have deliberately deprived yourself of that money in order to secure (or increase) your entitlement to benefits. If it is decided that you have deliberately deprived yourself, you will be treated as still having that money and it will be taken into account as income or capital when your benefit entitlement is worked out.

Trustee elections

We continue to get mixed messages as to how trustees representing the membership, member nominated trustees (MNTs), are being nominated, selected, elected and appointed. We have previously expressed our concerns at the approach adopted by UKPN but we are beginning to have concerns about procedures elsewhere as well. We are of course aware of the Pensions Regulator's increasing concern that trustees, whether nominated or elected, must be suitably qualified.

With elections taking place in most Schemes on a two-yearly basis and with invitations currently being issued to members to nominate candidates for election, we all have to decide whether to offer our services as trustees and, later, which of the candidates to vote for when the ballot papers appear.

This year is slightly different from earlier years because some subtle but important changes either have been made or are currently under consideration in many of our schemes. These changes are of two kinds, firstly it is now felt that all potential and existing trustees standing for election should be given an initial session in advance of the elections at which the duties, responsibilities and time commitments are being explained. These sessions are designed to ensure that candidates fully appreciate the duties of a trustee and to enable any candidate who feels unable to fulfil the duties to have the option to pull out before the election takes place.

The Association fully supports this change, which ensures that prospective trustees are both committed and likely to remain so for the period of their appointment. We hope that all schemes will do this in future.

The second change is of a more controversial nature and concerns the hitherto democratic manner in which member nominated trustees are actually chosen and appointed. For many years the procedure contained in the Scheme rules has been that potential member trustees have to secure the support of up to 10 fellow members to be eligible to stand for election and, subject to the above, their names have been entered into a ballot of all the members of that particular scheme with the result that those securing the most votes have been, or are elected.

This process is now under threat. External organisations are being engaged and paid to scrutinise and vet already nominated potential candidates prior to membership ballots and to recommend to the trustee boards which candidates should go forward into membership ballots and which candidates they consider to be "unsuitable" to be trustees.