

Pensions Update

For members of the Atkins Section of the Magnox Group of the Electricity Supply Pension Scheme



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CHAIRMAN'S INTRODUCTION



Welcome to the Autumn/Winter 2021 edition of Pensions Update.

This last year proved to be very challenging with the effects of the Covid-19 pandemic lasting longer than we could have envisaged.

It is very pleasing for me to report that the prudent approach to funding, which we have employed for several years, continued to stand up well to the challenges and we remain in a strong position to meet payments to beneficiaries.

The Group Trustees' main focus was to ensure that benefits continued to be paid on time and to maintain the security of the Group, and our Scheme administrators adapted quickly to the requirements of homeworking ensuring that pensions were maintained and that the annual increases were correctly applied at an early stage of the pandemic.

The investment strategies of the Group continued to be resilient to the volatility experienced in global financial markets throughout the pandemic and have contributed to stability in the funding levels of each Section.

Our advisers all continued to provide good support and adapted quickly to working remotely.

Susan Jee

Chairman

ANNUAL REPORT AND ACCOUNTS



Each year the Trustee is required to produce a set of audited accounts that feature as part of an annual report. This is a formal and detailed document, however we've included a high-level summary of the draft accounts for the year ending 31st March 2021 below. The full report is available to any member of the Scheme on request, or can be viewed on the pensions website at the following address: my-magnox-pension.com/library/report-accounts

Summary of the draft accounts for the year ending 31st March 2021

Value of net assets at the start of the year	£70.4M	
Plus total contributions/incoming payments during the year	£0.1M	
Less total benefits paid out during the year		(£1.9M)
Total	£68.60M	
Plus net return on investments	£0.3M	
Closing value of assets at 31st March 2021	£68.9M	

The above values include AVCs (Additional Voluntary Contributions) paid by members.

Investments

The very healthy financial position of the Section enables us to adopt a very low risk investment strategy. The Section currently holds three assets:

1. A bulk annuity insurance contract with Canada Life. This investment provides the Section with a guaranteed income stream which exactly matches a large proportion of the pensions which the Section is obliged to pay.
2. A liability driven investment ('LDI') portfolio with BMO, which is designed to mirror the change in present value of the future pension payments of those members not covered by the bulk annuity insurance contract with Canada Life; and
3. A cash portfolio with BlackRock, which is used to help manage the Section's cashflow requirements.

The Section does not currently need to invest in riskier growth assets as the financial surplus is expected to be sufficient to insure the remaining population within a reasonable timeframe.

It is the aspiration of most pension scheme trustees to insure its members and we were very pleased to complete an initial transaction on very attractive terms. It is important to recognise that the income received from Canada Life is payable to the Section and not to individual pensioners. Payment of all pensions remains the responsibility of the Group Trustees and the asset will be used to help meet all of the Section's financial obligations.

The strategy has remained unchanged since our latest update and is summarised as at 31 March 2021 below.

Further information on the Section's investment strategy and engagement with managers can be found on the my-magnox-pension.com website.

Atkins Section - asset population at 31st March 2021



THE TRUSTEE BOARD

Your Trustees have overall responsibility for the running of the Scheme. The Trustees consider anything that affects the Scheme, from investment objectives and changes to the Scheme rules to the outcomes of valuations.

Magnox Electric Group Pension Trustee Co Ltd. is the Trustee and it has 11 directors, including the Chairman. Six of those are member representatives whose appointment is made by a selection process. The remaining five, including the Chairman, are appointed by Magnox Limited.

Here is the most up-to-date version of the Trustee Board:

Employer-Nominated Directors



Susan Jee - Chairman

Susan is the Chair of the Trustee Board and is a Non-Executive Director of Magnox Limited.



Andrew Clare

Andrew is an Independent Trustee and is the Chair of the Investment Committee.



Gordon Frisby

Gordon is the Finance Director of Magnox Ltd. He became a Trustee Director on 1st September 2019.



Martin Veasey

Martin is an Independent Trustee and is a member of the Investment Committee.



John Vickerman

John is the HR Director of Magnox Ltd. He became a Trustee Director on 1st February 2020.

Member Representative Directors



Paul Bridgeman

Paul is a member of the Investment Committee.

He is in receipt of a pension from the SLC Section of the Scheme.



Ceri Davies

Ceri is an active member of the Scheme based at Oldbury Technical Centre, and is Chairman of the Governance and Audit Committee.



Nick Gore

Nick is a member of the Investment Committee.

He is in receipt of a pension from the Atkins Section of the Scheme.



Fergus Hall

Fergus is a member of the Governance and Audit Committee.

He is in receipt of a pension from the SLC Section of the Scheme.



Martin Turner

Martin joined the Board on 1st January 2020 and is in receipt of a pension from the SLC Section.



Chris Wells

Chris joined the Board on 1st January 2020 and is an active member of the Scheme based at Dungeness A Power Station.



UNDERSTAND WHAT RETIREMENT INCOME YOU MAY NEED

It's important to understand all of your options when it comes to planning what retirement income you may need.

The Pensions and Lifetime Savings Association (PLSA) has devised three retirement living benchmarks that aim to help future retirees visualise their life after work and understand what it may cost. The Retirement Living Standards are based on independent research with real people conducted by Loughborough University, and they assume that you will be mortgage and rent-free when you retire.

Picture your retirement

The Retirement Living Standards, which are pictured below, will give you a sense of how much different retirement lifestyles could cost. Remember that these standards are meant to be a helpful rule of thumb and do not constitute financial advice.

 SINGLES	RETIREMENT LIVING STANDARDS*	 COUPLES
£34k	COMFORTABLE	£50k
£21k	MODERATE	£31k
£11k	MINIMUM	£17k

Full details can be found at retirementlivingstandards.org.uk.

Find your previous pension pots to save for retirement

If you've ever changed jobs, it's likely that your current pension is not your only pension.

It is estimated there are 1.6 million pension pots worth £19.4 billion that have been lost or forgotten.

You don't need to be a financial expert to find lost pensions, so here are 3 things you can do:

1. Write down all the jobs you've ever had — check old CVs and take a trip down memory lane
2. Search through all your paperwork for old pension papers and payslips
3. Check the government's free Pension Tracing Service, which is available online at gov.uk/find-pension-contact-details and over the phone on **0800 731 0193**. Other companies offer a similar tracing service but many charge a fee

Your options for retirement

You may be able to combine old pension pots into one, making everything easier to manage and keep track of, although you should take advice before doing this.

Depending on your age, it may be possible to immediately withdraw the funds, or you could improve the investment strategy in your pensions so that you are not exposed to too much/too little risk.

By spending some time on tracing your old pensions now, you could recover money that will help you fund the retirement you imagined.



ATKINS SECTION ('THE SECTION') OF THE MAGNOX ELECTRIC GROUP ('THE GROUP') OF THE ELECTRICITY SUPPLY PENSION SCHEME ('THE SCHEME') 2021 SUMMARY FUNDING STATEMENT

In order to comply with a legal requirement (Pensions Act 2004), the Trustee, who looks after the Section, is required to provide you with an annual update on the Section's funding position.

How the section operates

The Section is a final salary scheme, or defined benefit scheme, which means that each member's retirement benefits are determined broadly by the amount of their pensionable salary and length of service as a member of the Section when they retire or leave. Contributions which are paid into the Section are paid into one common fund, which is used to pay for all members' benefits. They are not paid into individual accounts which are earmarked to each member.

The Trustee obtains regular valuations from an actuary. These calculations place a value on the benefits which the Section is obliged to pay, which is then used to agree the rate of contribution needed with the Company.

Actuarial valuation at 31st March 2019

An actuarial valuation of the Section was completed as at 31 March 2019. The results of this valuation showed that (assuming that the Section continues into the future) on that date, the funding position was as follows:

Assets of the Atkins Section (excluding AVCs)	£71.8M
Technical provisions (amount needed to provide benefits)	£67.0M
Funding surplus	£4.8M
Funding level	107.2%

Shortly after the valuation date, the Section completed a 'buy-in' transaction where annuities were purchased in respect of 22 pensioner members of the Section. This is where the Trustee holds insured pensions as an asset of the Section, which exactly matches the benefits which will need to be paid out in respect of those 22 pensioner members.

As part of the valuation calculations, the actuary also estimated what the position would have been if the Trustee had wound the Section up and secured all members' benefits at that time through individual policies with an insurance company. The calculations revealed that at 31 March 2019 there was a shortfall of £3M, which means that 96% of the Section's liabilities could have been secured in this way. The

funding level increased to 99% after allowing for the impact of the 'buy-in' transaction described above. It is a legal requirement to provide this information.

It is also worth noting that a solvent employer can only wind up a scheme if 100% of the benefits can be secured with an insurance company. In addition, further protection for members may be provided by legislation, including the Electricity Act 1989 and the Energy Act 2004.

Funding update at 31st March 2021

The actuary recently provided the Trustee with a report setting out details of an approximate update of the funding position as at 31 March 2021. The results of the update are as follows:

Assets (excluding AVCs)	£68.5M
Technical provisions	£63.6M
Funding surplus	£4.9M
Funding level	107.7%

The calculations were completed by rolling forward the results of the 31 March 2019 valuation and making allowances for changes in investment market conditions since the date of that valuation. Although this is not as thorough as a formal valuation because, for example, it does not reflect changes to membership numbers, it still provides a useful guide to changes in the funding level.

Compared to the last annual update as at 31 March 2020, the liabilities have decreased slightly and the assets have also decreased, but by slightly more. This has resulted in a decrease to both the funding surplus (by around £0.7M) and the funding level (by around 1.0%) over the period, which is mainly due to a final payment of £0.6M to Canada Life for the purchase of the buy-in referred to above.

The funding level is estimated to have improved marginally since the valuation date in 2019.

Additional documents

Provided automatically:

- An annual benefit statement for current employees.
- The guide to the main provisions of the Magnox Group of the Electricity Supply Pension Scheme (provided on joining the Scheme)

Available on request:

- The Annual Report and Accounts of the Magnox Group of the Electricity Supply Pension Scheme, which provides details of the income and expenditure of the scheme over the year to 31 March 2021 (completed on 21 September 2021).
- The full report on the Actuarial Valuation which was completed at 31 March 2019.
- The Annual Actuarial Report which was completed at 31 March 2021.
- The Schedule of Contributions, which shows how much money, is being paid in to the Section.
- The Statement of Investment Principles, which gives details of how the Trustee invests the money which is paid in to the Section.

Pension Protection Fund (PPF)

As has been described in the section headed 'Actuarial Valuation at 31 March 2019', if the Section was to be wound up, there may not be enough money in the fund to secure all members' benefits with an insurance company. It has also been explained that solvent employers cannot wind up schemes unless they ensure that enough money is paid to the insurer to provide 100% of all members' benefits. If, however, the scheme was to be wound up because the employer had become insolvent the PPF, which has been established by the Government, may be able to take over the scheme and pay compensation to members. This compensation is currently subject to a cap.

Information on the PPF can be found on its website at ppf.co.uk. Alternatively, you can phone the PPF on **0345 600 2541** or email them at information@ppf.co.uk.

It is unlikely that the Company will ever become insolvent and the benefits subsequently transferred to the PPF. This information has been included as it is a legal requirement to do so.

Other legal requirements

The Pensions Act 2004 requires the Trustee to provide members with the following information. This information would be of particular importance on schemes where The Pensions Regulator has intervened on the running of the scheme, which they might do if they have concerns about the security of members' benefits. No such intervention has occurred under the Magnox Group of the Electricity Supply Pension Scheme.

- The Pensions Regulator has not acted to change the way benefits are earned in future.
- The Pensions Regulator has not given any directions as to how the amount needed to provide benefits (known as technical provisions) should be calculated, or the length of time over which the funding deficit must be repaired.
- The Pensions Regulator has not imposed a Schedule of Contributions
- There have not been any payments from the Group to either Magnox Limited or any other participating employer of the Group during the last twelve months.

RPMI HAS CHANGED ITS NAME TO RAILPEN

The Scheme's administrator, RPMI, has now rebranded to Railpen.

The change does not affect the day-to-day administration or management of your pension and we will continue to support you on your journey towards and during retirement.

If we can help you with any questions about your Scheme benefits, you can get in touch using the contact details available in this newsletter or on the website at my-magnox-pension.com.

You will notice Railpen being used alongside RPMI as we are moving to the new brand over a period of time.

BEWARE OF SCAMS!

Make sure you protect any pension savings you haven't yet claimed by being aware of scammers and how they operate.

The most common scams fall under two categories:

- Encouraging pension savers to take cash lump sums from their pensions for 'investments'
- Tricking the victim into transferring their pension to a new provider

Censuswide conducted some research in June 2019 that suggested more than five million people across the UK could be at risk of falling for at least one of six common tactics used by pension scammers:

- Free pension reviews
- Claims of guaranteed high returns
- Exotic investments
- Time-limited offers
- Promises of early access to cash (before the age of 55)



£1.8m has been lost to pension scams

Action Fraud has revealed that £1.8m was lost to pension scams in the first three months of 2021 alone, and there were 107 reports of pension fraud. This is an increase of 45% on the same time in 2020.

In many cases, victims have been contacted by criminals posing as trusted professionals and have mistakenly transferred their pension benefits into a fraudulent account, losing all their savings in the process.

Although there is a ban on pensions cold-calling, thousands of people still lose their precious retirement savings every year. There is nothing your pension administrator can do to get your money back once you've transferred it out, so it is crucial you take extra care before making any decisions.

Your pensions administrator will never cold call and ask for information. It will only call you in a response to an enquiry you've made.

Access free support via MoneyHelper

MoneyHelper from the Money and Pensions Service (MaPS) brings together the support and services of three government-backed financial guidance providers: Money Advice Service, The Pensions Advisory Service and Pension Wise.

It offers free support on a wide range of financial matters both online and over the phone. MoneyHelper covers a variety of pension topics, including:

- Auto enrolment
- Building your retirement pot
- Pension problems
- Pension basics
- State Pension
- Taking your pension
- Tax and pensions
- Pensions and retirement

For more information, visit moneyhelper.org.uk/en/pensions-and-retirement.

You can also check for known scams with the Financial Conduct Authority (FCA) by visiting fca.org.uk/scamsmart.



WHERE TO GET INFORMATION AND GUIDANCE

Along with your pensions administrator, Railpen (was RPMI), there are plenty of resources available if you need more guidance around pensions and pension-related services.

Find independent financial advisers in your area

Railpen cannot give financial advice however you can find a list of FCA-regulated Independent Financial Advisers in your area at **[unbiased.co.uk](https://www.unbiased.co.uk)** should you need one.

Ensure a company or individual is authorised

You can visit the FCA (Financial Conduct Authority) website on **register.fca.org.uk** and search the FCA register to find out whether a firm, individual or body is authorised.

Also make sure to keep Railpen up to date with changes

You should tell your Railpen about any changes in your circumstances as soon as possible. This includes if you move house or change your bank account. You can check and update your contact details by contacting Railpen on **02476 472 582** or **enquiries@railpen.com**.

CONTACT INFORMATION

If you would like details of, or have any queries concerning, your benefits, options, or pensions in payment, please contact Railpen (was RPMI), who deal with administration of the Group.

The Trustees can be contacted through the Scheme Secretary, Kelly Capdeville, the Oldbury Technical Centre, Thornbury, South Gloucestershire, BS35 1RQ or at group.pensions@magnoxsites.com.

Let us know if you would like a larger print version of this document by emailing group.pensions@magnoxsites.com



RAILPEN

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