



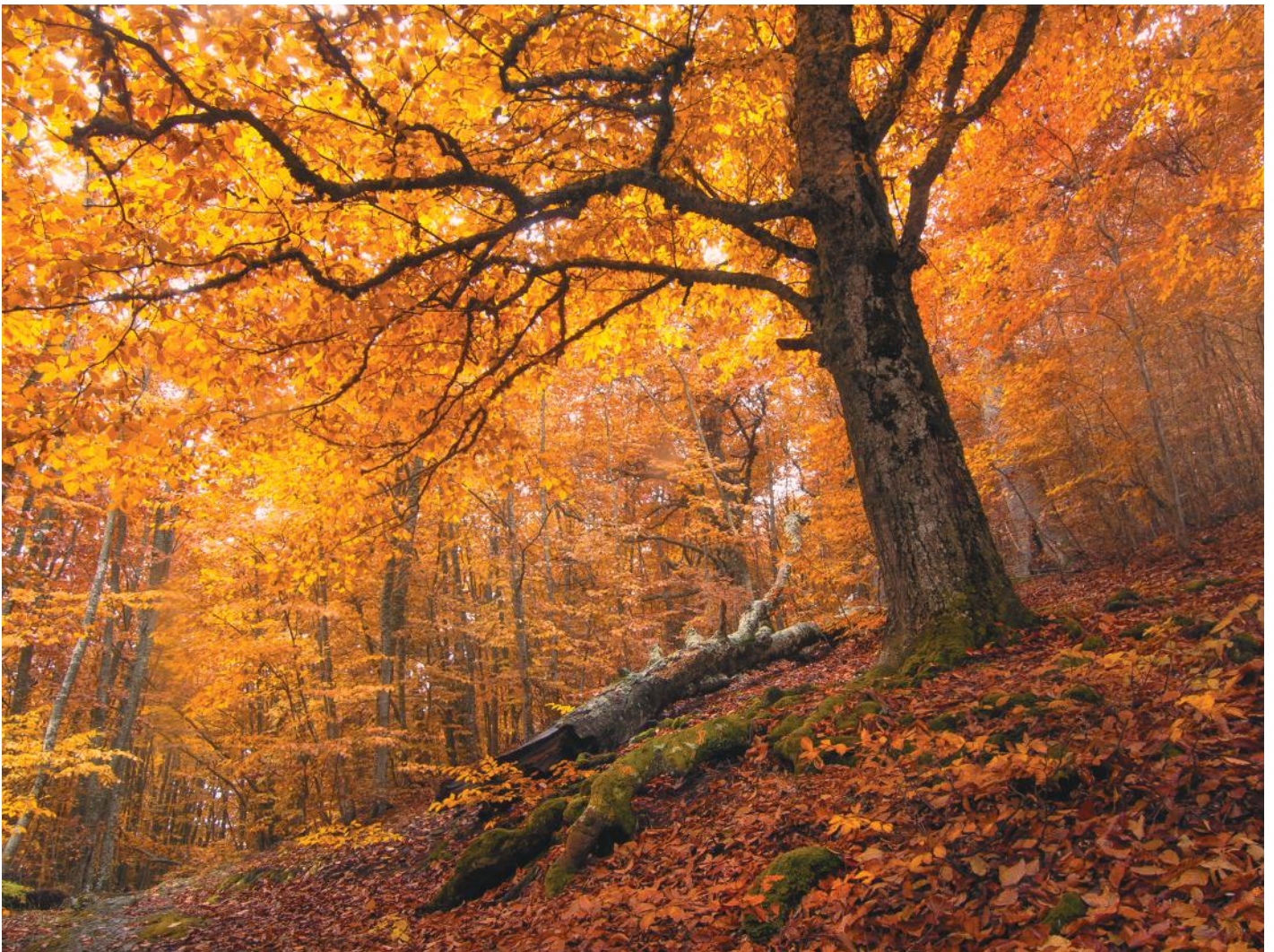
Magnox
Electric Group
Trustees

Electricity Supply Pension Scheme

Cavendish Nuclear Section
Autumn 2020

Pensions Update

For members of the Cavendish Nuclear Section of the Magnox Group of the Electricity Supply Pension Scheme



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CHAIRMAN'S INTRODUCTION



Welcome to the Autumn 2020 edition of Pensions Update.

This issue comes at a very strange time for us all, with many pension schemes having been badly affected by turbulent times for investments.

It is very pleasing for me to report that the cautious investment strategy, which we have employed for several years, is standing up well to the current challenges and we remain well-funded to meet the payments due from the scheme.

The in-house team, scheme administrators and our advisers have all been able to adapt well to working from home; pensions have continued to be paid uninterrupted and the trustees have continued to meet in order to manage the scheme properly, albeit by using technology to hold video conferences. We are grateful to Rachel and Angie (our in-house team) all of our advisers and the administrators for their support in ensuring business as usual in this very testing time.

We have also completed a further actuarial valuation of the scheme to test that it has sufficient assets to cover the expected benefit payments on an ongoing basis. The valuation has revealed that the scheme still has a modest funding surplus, which is particularly comforting in these turbulent times and the envy of many other pension scheme trustees.

Following completion of the actuarial valuation we started a review of our investment strategy and work on that is currently underway.

We have seen a number of changes to the trustee board during the last year with Paul Edwards, Jim Boyd, John Jones and Karen Walkden all having left the board. I am very grateful for their contributions to looking after the interests of the scheme's members over a number of years. We welcomed four new trustees; Gordon Frisby, Chris Wells, Martin Turner and John Vickerman, and I am looking forward to working with them all.

Susan Jee

Chairman

ANNUAL REPORT AND ACCOUNTS



Each year the trustee is required to produce a set of audited accounts which feature as part of an annual report. This is a formal and very detailed document, but we have shown a high level summary of the accounts for the year ending 31st March 2020 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 <https://my-magnox-pension.com/library/report-accounts>.

Summary of the draft accounts for the year ending 31st March 2020

Value of net assets at the start of the year	£77.1M	
Plus total contributions/ incoming payments during the year	£1.4M	
Less total benefits paid out during the year		(£1.0M)
Total	£77.5M	
Plus net return on investments	£0.6M	
Closing value of assets at 31st March 2020	£78.1M	

The above values include Additional Voluntary Contributions paid by members.

Investments

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity has been impacted in many sectors.

The investment strategies of the Magnox Group have been resilient to the extreme levels of volatility experienced in global financial markets and have largely protected the funding levels. For the Cavendish Nuclear Section this has largely been down to the decision to invest in liability driven investment (“LDI”) as well as the continued investment in a diverse portfolio of growth assets.

- LDI assets are designed to mirror the change in present value of the future pension payments (i.e. the Section’s liabilities) and to help protect the funding level.
- Growth assets are invested mainly in equities and credit assets (where the investment serves as a type of loan which is effectively repaid with interest or compensation) or a combination of the two (multi-asset investments).

LDI assets are mainly invested in for risk management purposes. Growth assets are mainly invested in to improve the Section’s funding position and make your pension more secure over the long-term.

We redeemed the Section’s holdings with multi-asset manager JP Morgan on 31 March 2019 following a period of persistent underperformance. The redemption proceeds were invested into existing multi-asset manager, Schroders. No other material changes were made to the investment portfolio.

The Section generated a return of 0.9% over the one-year-period to 31 March 2020 but underperformed its benchmark return for the same period. This was mostly due to multi-asset manager Schroders not meeting its target return of inflation +5% (which was reasonable in light of market returns in Q1 2020).

We are in the process of completing a further review of the investment strategy following the 2019 actuarial valuation.

A summary of the investments at 31st March 2020 is set out below:

Cavendish Nuclear Section - asset population at 31st March 2020



THE TRUSTEE BOARD

Magnox Electric Group Pension Trustee Co Ltd. is the trustee and it has eleven 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.






There have been a number of changes to the trustee board during the last year. On 1st September 2019, Magnox Ltd. became a subsidiary of the Nuclear Decommissioning Authority and a new senior management team was appointed. At that time, Gordon Frisby who is the new Finance Director for Magnox Ltd., replaced Paul Edwards on the trustee board.

At the beginning of this year, there were further changes to the trustee board when two of our trustees came to the end of their terms of office, and a new selection process was run. John Jones and Jim Boyd both stood down after eight years' and 14 years' service respectively. Chris Wells, who is a current employee based at Dungeness, and Martin Turner, who was based at Wylfa prior to his retirement, both joined the trustee board on 1st January 2020. Fergus Hall, who has been associated with the scheme for many years, will continue for another term of office. The final change to the board came when Karen Walkden stood down at the end of January and was replaced by John Vickerman who is the new HR Director for Magnox Ltd.







The trustees would like to thank Paul, Jim, John and Karen for their significant contribution to the running of the scheme and wish them all well for the future.

The current trustee board is:

Employer-Nominated Directors

	<p>Susan Jee - Chairman</p> <p>Susan is the Chair of the trustee board and is a Non-Executive Director of Magnox Limited.</p>
	<p>Andrew Clare</p> <p>Andrew is an Independent Trustee and is the Chair of the Investment Committee.</p>
	<p>Gordon Frisby</p> <p>Gordon is the Finance Director of Magnox Ltd. He became a Trustee Director on 1st September 2019.</p>
	<p>Martin Veasey</p> <p>Martin is an Independent Trustee and is a member of the Investment Committee.</p>
	<p>John Vickerman</p> <p>John is the HR Director of Magnox Ltd. He became a Trustee Director on 1st February 2020.</p>

Member Representative Directors

	<p>Paul Bridgeman</p> <p>Paul is a member of the Investment Committee.</p> <p>He is in receipt of a pension from the SLC Section of the Scheme.</p>
	<p>Ceri Davies</p> <p>Ceri is an active member of the Scheme based at Oldbury Technical Centre, and is Chairman of the Governance and Audit Committee.</p>
	<p>Nick Gore</p> <p>Nick is a member of the Investment Committee.</p> <p>He is in receipt of a pension from the Atkins Section of the Scheme.</p>
	<p>Fergus Hall</p> <p>Fergus is a member of the Governance and Audit Committee.</p> <p>He is in receipt of a pension from the SLC Section of the Scheme.</p>
	<p>Martin Turner</p> <p>Martin joined the board on 1st January 2020 and is in receipt of a pension from the SLC Section.</p>
	<p>Chris Wells</p> <p>Chris joined the board on 1st January 2020 and is an active member of the scheme based at Dungeness A Power Station.</p>

Transfer values

If you leave the scheme, or have left but have not yet started to receive your pension, you are able to transfer the value of your benefits into another suitable pension arrangement, including individual policies.

In the last newsletter we highlighted the increasing risk of scams which defraud members of company pension schemes by encouraging them to transfer to fraudulent individual policies. Unfortunately, there has been no abatement in the level of fraudulent activity. In fact, fraudsters have continued to prey on insecurities caused by the recent pandemic.

There is information available on our website <https://my-magnox-pension.com> and useful links to help you identify the risks. If you are considering transferring your benefits we

strongly recommend that you read this information. RPMI will also include similar information in response to any request for a transfer value quote which they receive.

As a result of the checks which have to be completed before a transfer can take place and the amount of information which needs to be exchanged, it can take several months for a transfer to be paid and you should factor this in to any decisions which you take and plans which you make.

If you are opting out of the scheme in order to take a transfer value, you might want to consider the impact on your death benefits, in particular between leaving the scheme and payment of the transfer value, and we recommend that you seek professional financial advice for this too.

A reminder about spouses' pensions

The rules of the scheme provide for spouses' pensions to be paid on death before and after retirement, but to those who are in a lawful marriage, including same sex marriages, or civil partnership. The pension will be paid even if you are no longer living together, providing the lawful marriage/civil partnership exists at the date of your death (you have not divorced or dissolved the civil partnership).

If you do not have a lawful marriage or civil partnership, but have a partner from a long standing relationship, with whom you are living and who can demonstrate financial dependency on you at the date of your death, the trustees can consider paying a pension **on a discretionary basis**, but they can only make that decision after you have died. The trustees have a good track record of paying discretionary benefits where all of the conditions listed above have been met, but please remember that there is no guarantee that payment would be made.

Website

We launched our new website towards the end of last year, and in the notice we sent out to provide details we explained that it was just the first stage. At that time we were expecting to launch the second phase in the Summer of 2020, which would allow you to view your personal details. Unfortunately, the Covid-19 pandemic has delayed this and it is now likely to be next year before it becomes available. Please visit www.my-magnox-pension.com to see the website.

ANNUAL MEETINGS

We would normally give advanced notice in this newsletter of the meetings which usually take place at the end of each year, but due to the Covid-19 pandemic we do not currently know whether these meetings will be able to go ahead.



Scheme Annual Meeting

It is likely that the scheme-wide annual meeting, which is usually held in London will be a “virtual” meeting this year with members being able to join by using electronic meeting software. The purpose of the Scheme AGM is to receive the Scheme Annual Report and Financial Statements and the Auditors Report, receive the Report of the Scheme Trustee, and conduct any general business including the consideration of any Resolutions proposed by members. Details of the agenda, resolutions and notices may be obtained from the end of October by contacting a member of Magnox group pensions at info@megtensions.com or by calling **01454 422608**.

Magnox Trustee Group AGM

This meeting is usually held annually in the Berkeley area. If it becomes possible to hold this meeting, we will publish the details on our website <https://my-magnox-pension.com>. If you do not have access to the website, please call the pensions department on **01454 422608** after the end of October and we will be able to confirm the position.

CAVENDISH NUCLEAR SECTION ('THE SECTION') OF THE MAGNOX ELECTRIC GROUP ('THE GROUP') OF THE ELECTRICITY SUPPLY PENSION SCHEME ('THE SCHEME') 2020 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 Group 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 31st 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 Cavendish Nuclear Section (excluding AVCs)	£76.4M
Technical provisions (Amount needed to provide benefits)	£74.9M
Funding surplus	£1.5M
Funding level	102%

The 2018 summary funding statement reported that the funding level was 98% as at 31st March 2018. The funding level has improved over the year to 31st March 2019, moving from a small deficit to a small surplus. This improvement was mainly due to positive asset returns over the year and updated assumptions used in the 2019 valuation, which made allowance for lower life expectancy in line with latest research.

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 31st March 2019 there was a shortfall of £15.7M, which represents that 83% of the Section's liabilities could have been secured in this way.

Please note that it is a legal requirement to provide this information – the Company has no intentions of winding up the Section. 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 2020

The actuary recently provided the Trustee with a report setting out details of an approximate update of the funding position as at 31st March 2020. The results of the update are as follows:

Assets (excluding AVCs)	£77.4M
Technical provisions	£80.7M
Funding deficit	(£3.3M)
Funding level	96%

The calculations were calculated by rolling forward the results of the 31st March 2019 valuation and making allowances for changes in investment market conditions since the date of the valuation. This is not as thorough as a formal valuation – for example, it takes no account for things like changes to membership numbers – but it still gives a useful guide to changes in the funding level.

The funding level has fallen since the valuation date. This is mainly due to the increase in the liabilities as a result of the fall in index-linked gilt yields. Asset returns have also marginally underperformed since the valuation date, which has worsened the funding position.

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 31st March 2020 (due to be completed by 31st October 2020).
- The full report on the Actuarial Valuation which was completed at 31st March 2019.
- The Annual Actuarial Report which was completed at 31st March 2020.
- 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 trustees invest the money which is paid in to the Section.



Pension Protection Fund (PPF)

As has been described in the section headed “Actuarial Valuation at 31st 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 www.ppf.co.uk. Alternatively, you can phone the PPF on **0345 600 2541** or email them at information@ppf.co.uk.

It is extremely unlikely that the Company will ever become insolvent and the benefits subsequently transferred to the PPF. This information has been included 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.

Use of personal data

The Data Protection Act governs how the Trustees, the Scheme Actuary and our advisers, including Aon Solutions UK Limited, use and store personal data. To run the pension scheme properly, the Trustees require access to personal data about members and their dependants. In providing actuarial services to the Trustees, including preparing this Summary Funding Statement, the Trustees, their adviser Aon Solutions UK Limited and the Scheme Actuary also require access to personal data about members and their dependants. Members can find out more information about how their personal information is used in the provision of actuarial services at <https://www.aon.com/unitedkingdom/retirement-investment/retirement-investment-services-privacy-statement.jsp>.

The Trustees' Privacy Notice can be found below. Should you have further questions regarding the processing of your personal information, please contact the Trustees in the first instance through Rachel Hewlett at the address shown under further information. General guidance is also available from the Information Commissioner's website at www.ico.org.uk.

Privacy Notice

What information we hold and what we do with it

The Trustee holds personal data about you (and in some instances, your dependants and beneficiaries) that you have provided to it. It needs this personal data to be able to administer your benefits under the Scheme.

The Trustee (as "data controller" for data protection purposes) is required to look after your personal data in accordance with legal requirements. This means that it is responsible for deciding what personal information needs to be processed and the way in which that information is processed.

In processing your personal data, the Trustee may need to pass personal information about you, your dependants and other members and beneficiaries, to the Scheme's administrators, auditors, legal advisers, insurers and such third parties as may be necessary for the purposes of the Scheme.

Where to find out more

Details of the types of personal data the Trustee holds, how it uses that information and who it shares it with are set out in the Trustee's Privacy Notice. The Privacy Notice also sets out your rights in connection with the personal data held about you by the Trustees, and who to contact if you want to exercise those rights, make a complaint, or generally have any questions.

The Privacy Notice is updated from time to time and you can see the current version at: <https://my-magnox-pension.com/scheme-documents>.

Alternatively, if you prefer to receive a hard copy of the Privacy Notice, please call the Group Administrator on **01454 422608** or write to **Rachel Hewlett at Magnox Ltd, Oldbury Technical Centre, Oldbury Naite, BS35 1RQ**.

Keeping your information up-to-date

It is your responsibility to keep the Trustee up-to-date with any changes to your personal information, including your marital status, contact and bank details. Without this information, there may be delays in paying benefits to you or your dependants.

Future developments

As you may be aware, the rules on data protection have changed.

From 25th May 2018, the General Data Protection Regulation (GDPR) came into force in all EU and EEA member states. Despite Brexit, the Government has confirmed that the GDPR will continue to apply in the UK. The Data Protection Act 2018 therefore incorporates the GDPR into UK Law and replaces the Data Protection Act 1998.

The Trustee will update the Privacy Notice from time to time in line with any further developments in legislation and/or regulatory guidance.



FURTHER INFORMATION

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



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Please let us know if you would like a larger print version of this document by telephoning **01454 422608** or emailing **info@megtpensions.com**