



Magnox Electric Group Trustees

Electricity Supply Pension Scheme

Cavendish Nuclear Section

Spring 2016

Pensions Update

For members of the Magnox Group of the Electricity Supply Pension Scheme (ESPS)

Chairman's Welcome

Welcome to the latest Pensions Update. This is the first edition of the trustee's newsletter which has been issued since I took over as Chairman. The very first thing I would like to do is record both the trustees and my personal thanks to the previous Chairman, Tony Cooper, who retired at the end of July 2015. Tony led our trustee body for 6 years during which we, and the scheme, benefitted from his wise counsel.

Some of the information in this newsletter is included because we have a legal obligation to provide it on an annual basis, including an update on the funding of the scheme. We add other information which we think you might find interesting but if there are other matters you would like to see included please let us know by contacting Rachel Hewlett at the address shown under further information. Work is now underway on the formal triennial actuarial review which was due at 31st March 2016. We are expecting the results of this formal valuation towards the end of the year and will issue a further update once they are available. The results in this newsletter are based on the less formal update which we complete each year between.

As you will see from the numbers, the funding position has deteriorated over the year. This is largely due to the fact that the yield on Government bonds which is used to estimate the cost of providing benefits under the scheme has fallen. This means that the predicted cost of providing the scheme's liabilities has increased. During the year we continued with de-risking our investment portfolio and have continued to monitor and review our investment strategy to ensure it remains appropriate. Much of this work has been carried out by the Trustee's Investment Sub-committee, which has been in place for a number of years. This committee works hard to ensure the assets are well managed.

The obligations on trustees to demonstrate good governance of pension schemes seem to be constantly increasing so during the year we set up a Governance and Audit Sub-committee to concentrate specifically on these aspects. This committee will usually meet four times a year and reviews in detail such things as the administration arrangements, risks which the scheme is exposed to and the financial accounts.

Some of you will be aware that Brian Hibdige sadly died in October and as a

result Nick Gore, who is now a pensioner of the Group and was Chairman of this trustee board until 2009 was asked to re-join. Although it is in very sad circumstances, I was delighted when Nick agreed and am looking forward to working with him going forward.

I am grateful to all of my colleagues on the trustee board for their support in looking after the scheme and for the many hours of their time which they commit to this work.



Best Wishes
Susan Jee

Chairman



BRIAN HIBDIGE

1947-2015

It is with great sadness that we have to report the death of Brian Hibdige who passed away on 23rd October 2015.

There are thousands of people in Magnox and its predecessor companies who owe Brian a debt of gratitude. He was one of the most formidable trade union representatives of recent times. He had a powerful intellect. His passion and commitment to support members and to uphold ethical standards were reflected in a uniquely robust style, which some of us were privileged to experience first-hand.

During the period of electricity privatisation and its aftermath, which saw major de-merger activity and the transition from national to company based collective bargaining structures, Brian was a powerful force in shaping the post privatisation world. In his trade union role, he became President of the EMA (now Prospect), a role to which he brought the same energy as he did to his collective bargaining role with Nuclear Electric and then Magnox. In the years before his retirement, he

managed the Magnox withdrawal from the Littlebrook site and worked tirelessly to secure good outcomes for the hugely talented technical team who had been based there.

His most distinguished contribution was arguably made in the nearly twenty years as an elected Magnox Trustee. Even after his retirement and while living in France, his focus and commitment to the role were legendary. This commitment was undiminished when he was far from well. Indeed, at our meeting on 23rd September Brian played a full and active part.

Brian was justly proud that the Cavendish Nuclear Section of the Magnox Group pension scheme was well funded compared to many other schemes. That position is in no small part due to Brian's contribution. He was a veteran of five triennial actuarial valuations, including some prior to the sectionalisation of the Magnox Group. This included work to ensure that the funding of the Cavendish Nuclear Section started from a position of

strength, when it was created in 2007 by obtaining appropriate funding from BNFL.

As a key member of the investment committee, many of the innovative strategies adopted by the Trustees and the nimbleness with which were made and opportunities taken, reflected his leadership qualities. Fund managers in the city were kept on their toes in interviews with Brian in which he would drive down their fees and forensically challenge their performance. All this was of course to the great benefit of members. Brian's stature was reflected in the unusual decision to appoint him, as an elected trustee, as Chairman of the Investment Committee between 2008 and 2011.

Brian was an amazing individual. It sounds trite, but nonetheless true, to say he will be sorely missed. His combination of intellect, diligence and the ability to challenge is literally irreplaceable. The trustees will however continue to work hard to ensure his legacy continues into the future.

APPOINTMENT OF NICK GORE

When an unexpected vacancy occurs on the trustee board, according to the constitution of the Trustee Company, the elected trustee directors may appoint someone to fill the vacancy to the end of the term of office of the vacant position. Following the death of Brian Hibdige in October 2015, the elected trustees approached Nick Gore and asked him to join the board. Nick agreed and formally became a trustee director on 11th December 2015. He will complete Brian's term of office which runs to December 2017. Nick brings a wealth of experience to the trustee board and is a very welcome addition.

Trustee Board

The trustee board comprises of eleven directors, five of whom have been appointed by Magnox Ltd, the Principal Employer to the scheme and six who have been elected by members of the Magnox Group of the ESPS.

Company Appointed Directors

Susan Jee

Magnox
Non-Executive Director

Member of the
Investment Committee

Chairman of the Group
Trustee



Martin Grafton

Cavendish Fluor Partnership
seconded to Magnox Ltd –
Site Closure Director
Hunterston A

Deputy Chairman of the
Group Trustee



Paul Edwards

Cavendish Fluor
Partnership seconded to
Magnox Ltd – Head of
Finance

Chairman of the
Governance and Audit
Committee



Professor Andrew Clare

Independent Trustee

Chairman of the
Investment Committee



Karen Walkden

Magnox Employee

Head of Organisational
Change and HR
Projects



Member Appointed Directors

Jim Boyd

Retired employee - in
receipt of pension from
the Scheme

Member of the Investment
Committee



John Jones

Magnox employee
Wylfa Site

Active member of the Site
Licence Company
Section of the Group



David Openshaw

Retired employee -
in receipt of pension from
the Scheme

Member of the
Governance and Audit
Committee



Member of the Investment
Committee

Nick Gore

Retired employee -
in receipt of pension from
the Scheme

Appointed 11th December
2015.



Fergus Hall

Retired employee -
in receipt of pension from
the Scheme

Member of the
Governance and Audit
Committee



Ceri Davies

Magnox employee
Berkeley Centre
Active member of the Site
Licence Company Section
of the Group

Member of the
Governance and Audit
Committee



For more information on the Board visit the trustee section of the website at www.megtpensions.com

Following the death of Brian Hibdige on 23rd October 2015, Nick Gore was appointed as Brian's replacement on 11th December 2015.

PENSION INCREASES

The rules of the Scheme provide for all pensions to increase from 1 April each year in line with the increase in the Retail Price Index (RPI) in the 12 months ended on the preceding 30 September. The increase payable from 1 April 2016 was 0.8%. A proportionate increase has been paid to those who have not been retired for a complete year at 1st April 2016.

PENSION SCAMS

The Pensions Regulator is concerned to make sure that members of pension schemes are aware of the risk of becoming the victim of a pension scam. Scammers use a range of tactics to tempt members to invest their pension pot with them, including directing them to transfer into small (often one or two member) occupational schemes to avoid scrutiny from regulators.

Usually a scam will require you to transfer your benefits out of the Magnox scheme. If you are already receiving your pension it is not usually possible to transfer your benefits elsewhere and so it is highly unlikely that you will be approached with this type of scam.

For members who are not currently receiving benefits it is possible to transfer your benefits in to other arrangements. If you request a transfer value quotation RPMI EPAL will provide you with leaflet from the Pensions Regulator about potential scams. We would strongly urge you to read this leaflet carefully. You can also find information from the Government's Pensionwise service at www.pensionwise.gov.uk

LIFETIME ALLOWANCE

HMRC also imposes a Lifetime Allowance on pension savings, which for the 2015/16 tax year was set at £1.25 million. This limit applies to the total cash equivalent value of your pension savings, including those from any previous or future employer's schemes. It does not however apply to State Retirement Benefits. For this test the cash value of pension is calculated by multiplying it by 20. This should be added to the amount of cash lump sum provided by the scheme to provide the total amount of the lifetime allowance which has been used. If, when you take your benefits, your total pension savings exceed this limit you will be taxed on the excess by means of a Lifetime Allowance Charge. This charge is currently set at 25% if your additional savings are taken as a pension (this is in addition to income tax which is payable under the PAYE system) and 55% if taken as a lump sum. **THE LIFETIME ALLOWANCE WILL REDUCE TO £1 MILLION FOR 2016/17 TAX YEAR.** Most people will be unaffected by this limit but you should be aware of it and those with a number of years before retirement should keep the matter under review. It is possible however that some employees could be impacted immediately. There will be an opportunity to apply for protection and further information is available from HMRC's website. It is also recommended that you seek professional financial advice, as necessary.

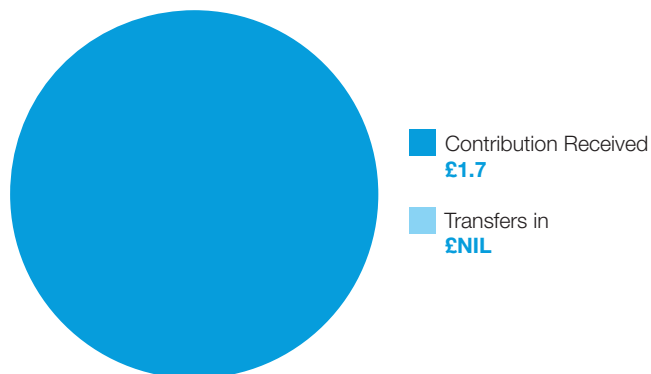
ANNUAL REPORT AND ACCOUNTS

Every year the trustee must produce a comprehensive report, including audited financial statements. This is a formal and lengthy document, but for those who wish to read the full document, it is available electronically on the Magnox Electric Group Trustees (MEGT) Pensions website – www.megtpensions.com. Alternatively, a printed copy is available from Group Pensions at Oldbury Technical Centre on 01454 422608 or via email: group.pensions@magnoxsites.com

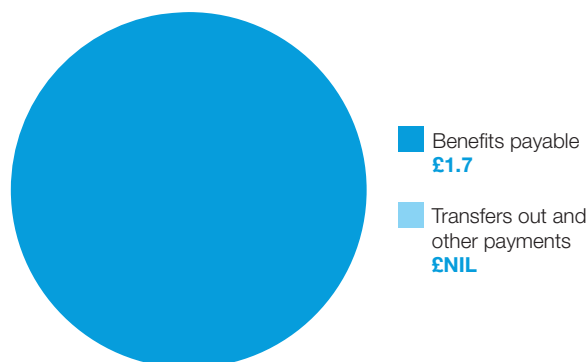
Financials

From the 2014/15 Annual Report and Accounts we have extracted some key statistics for you.

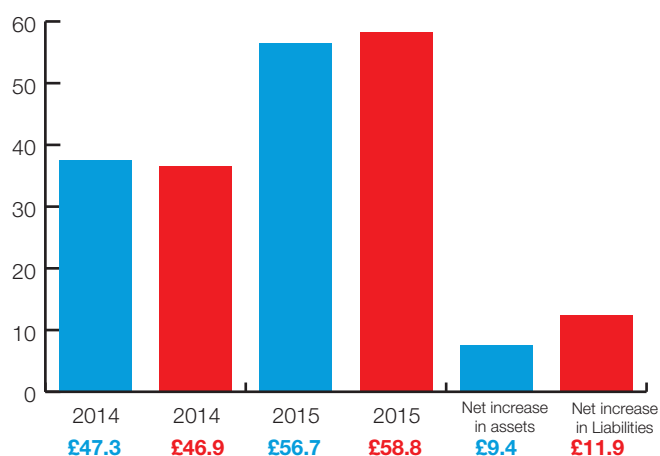
What came in (£millions)



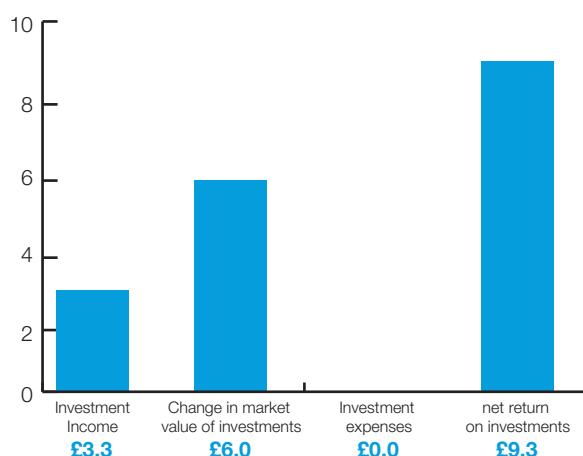
What went out (£millions)



Group Assets/Liabilities (£millions)



Return on investments (£millions)



all values exclude AVCs



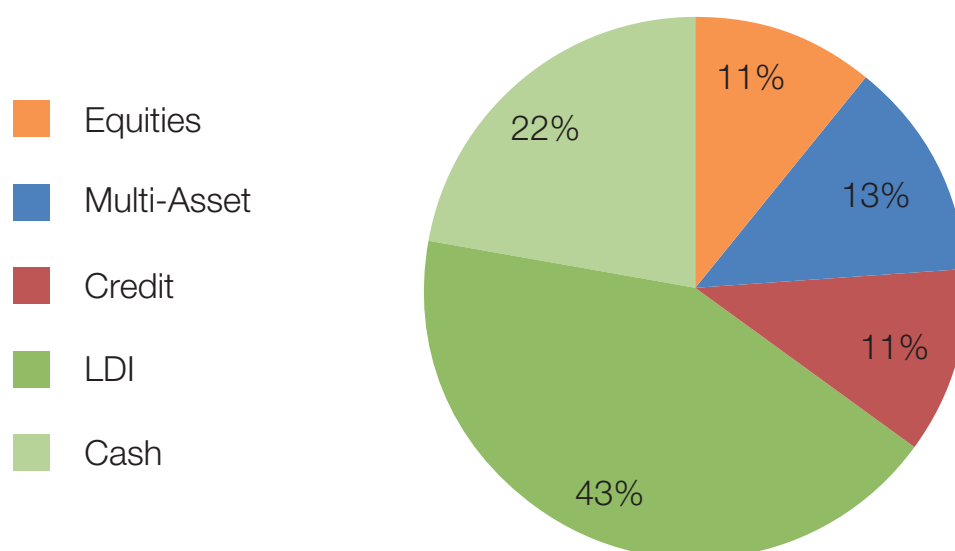
Membership Statistics

31 March 2015

Actives	65
Pensioners	26
Dependants	1
Deferreds	38
Total	130

Investment Holdings

Cavendish Nuclear Section 31/12/2015



Annual Meetings

Magnox Electric Group Trustee

The Magnox Group Annual Meeting will take place on Thursday 24th November 2016 at Hamfields Leisure, Berkeley, commencing at 1400.

This meeting provides the opportunity for members of all sections to meet with the Trustee Board and its advisers and ask questions.

If you can't attend the meeting but would like to ask a question, please email it to info@megtpensions.com or send it to Rachel Hewlett at the address shown under further information.

Electricity Supply Pension Scheme

The Scheme's Annual Meeting will also take place in November 2016 in London. The purpose of this meeting 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 will be provided nearer the time and the agenda, resolutions and notices may be obtained from mid-November by contacting a member of Magnox group pensions the website at www.megtpensions.com.

CAVENDISH NUCLEAR SECTION OF THE MAGNOX ELECTRIC GROUP OF THE ELECTRICITY SUPPLY PENSION SCHEME 2015 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 scheme 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 employer.

Actuarial Valuation

An actuarial valuation of the scheme was completed as at 31st March 2013. 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	£45.5M
Technical provisions (Amount needed to provide benefits)	£47.7M
Funding deficit	£2.2M
Funding level	95%

The actuary has provided the trustee with a report setting out details of an approximate update of the funding position as at 31 March 2015. The results of the update are as follows:

Assets	£56.7M
Technical provisions	£58.8M
Funding deficit	£2.1M
Funding level	96%

The figures in the report were calculated by rolling forward the results of the 31 March 2013 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.

As part of the valuation calculations, the actuary also estimated what the position would have been if the trustee had wound the scheme up and secured all members', including pensioners' benefits at that time through individual policies with an insurance company. The calculations revealed that at 31st March 2013, 75% of the section's liabilities could have been secured in this way. Please note that it is a legal requirement to provide this information. It is 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.

The funding level has improved slightly since the valuation date. This is mainly due to the payment of deficit contributions and positive investment returns on assets, although this has been partially offset by lower than expected gilt yields at longer durations. The yield on Government bonds is used to estimate the cost of providing benefits under the scheme and as the return has fallen, the cost of providing the scheme's liabilities has increased.

The funding level has worsened since the last, less formal, annual update. This is largely due to the increase in the value of the section's liabilities caused by the fall in yields on index-linked Government bonds over the period.

Use of personal data

In providing actuarial services to the Trustees, including preparing this Summary Funding Statement, the Trustees, their adviser Aon Hewitt and the Scheme Actuary require access to personal data about members and their dependants. The Data Protection Act governs how the Trustees, Aon Hewitt and the Scheme Actuary use and store personal data. Members can find out more information about how their personal information is used in the provision of actuarial services at www.aonhewitt.co.uk/privacy-statement. Should a member have further questions regarding the processing of their personal information, they should contact the Trustees in the first instance (trustee contact details can be found in the scheme booklet or regular communications such as this). General guidance is also available from the Information Commissioner's website at www.ico.org.uk

What is the scheme invested in

The trustee's policy is to invest in a broad range of assets which are designed to ensure that the investment objectives of the scheme are met. A summary of the asset allocation at 31st March 2015 is given below:

Manager	£m	%
BlackRock Investment Management (UK) Limited	25.2	44.9
PIMCO Europe Ltd	17.9	31.9
Lindsell Train Ltd	5.8	10.3
Schroder Investment Management Limited	3.9	6.9
JP Morgan Asset Management Ltd*	3.4	6.0
Total	56.2	100.0

*Values as of 31 March 2015 for these managers are estimates only due to reporting lags.

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 2015.
- The full report on the Actuarial Valuation which was completed at 31st March 2013.
- The Annual Actuarial Report which was completed at 31 March 2015.
- The Schedule of Contributions, which shows how much money is being paid in to the scheme.
- The Statement of Investment Principles, which gives details of how the trustees invest the money which is paid in to the scheme.

Pension Protection Fund (PPF)

As has been described in the section headed “Actuarial Valuation”, if the scheme was to be wound up, there may not be enough money in the fund to secure all member’s 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 subject to a cap.

Information on the PPF can be found on its website at www.pensionprotectionfund.org.uk. Alternatively you can write to the Pension Protection Fund, Knolly’s House, 17 Addiscombe Road, Croydon, Surrey, CRO 6SR.

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 scheme to either Magnox Limited or any other participating employer of the scheme during the last twelve months.

Further Information

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

Please note RPMI EPAL’s new address. All other contact details remain the same.

RPMI EPAL,
Unit 2
Rye Hill Office Park
Birmingham Road
Coventry
CV5 9AB

+44 (0) 24 76 47 2582

enquiries@epal.uk.com

Requests for other information should be sent to

Rachel Hewlett
Magnox Ltd
Sizewell Room
Oldbury Technical Centre
Oldbury Naite
South Gloucestershire
BS35 1RQ

rachel.l.hewlett@magnoxsites.com

This is a new address for the Magnox pensions team.



Please let us know if you would like a larger print version of this document by telephoning 01453 813115

