ELECTRICITY SUPPLY PENSION SCHEME

MAGNOX ELECTRIC GROUP REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Magnox Electric Group of the Electricity Supply Pension Scheme
Annual Report and Financial Statements for the year ended 31 March 2019
Contents

Message from the Chairman of Group Trustees

I am pleased to present the Magnox Electric Group Report & Financial Statements for the year ended 31 March 2019.

We have been focussed on implementing the changes to our investment strategies which were agreed last year, helping to reduce the level of risk and volatility in the funding levels, but maintaining appropriate levels of return.

The Pensions Regulator expects Trustees to monitor the employers' covenant strength (the ability to pay future contributions to the Group). With the help of specialist advisers, we completed these important reviews; although some of the employers have faced challenges, we remain confident in all of their ability to pay the necessary future contributions.

In September 2019 Magnox Limited, which is the Principle Employer for this pension scheme, will become a direct subsidiary of the Nuclear Decommissioning Authority (NDA). We have been working closely with senior representatives of the NDA and have received assurance that this change will have no impact on either the running of, or the security of the scheme.

We are preparing for the next actuarial valuations which will be completed effective from 31st March 2019 which will determine the level of contributions to be paid going forwards. We expect the results to be available towards the end of 2019 and will communicate them in future updates.

Susan Jee
Chairman

Date:

Report of the Group Trustees

Introduction

This Group Annual Report & Financial Statements is produced by the Group Trustees for the members of the Magnox Electric Group of the Electricity Supply Pension Scheme ('the Group'). The Group is part of an industry-wide pension scheme in which the Participating Employers are companies formed upon the privatisation of the electricity industry in 1990 or their successors. The Electricity Supply Pension Scheme (the 'Scheme') has 25 separate actuarially independent sections (known as 'Groups') in respect of the companies participating in the Scheme as Principal Employers, and each Group has its own assets to fund the benefits of its members. Information relating to the Scheme as a whole can be found in the Scheme Annual Report & Financial Statements.

The Scheme is established under irrevocable trusts and its provisions are set out in the Clauses and Rules contained in the Scheme document. Membership of the Group has been closed to new employees since 31 August 2007 when alternative arrangements were put in place.

The Scheme is a registered pension scheme under the Finance Act 2004 and was primarily contracted out of the State Second Pension.

The Principal Employer is Magnox Limited. Atkins Ltd, National Nuclear Ltd, Cavendish Nuclear Ltd, Sellafield Limited and INS Ltd are also participating employers. The Group Annual Report & Financial Statements include information on the defined benefit arrangements of the Group as well as aggregate information on additional voluntary contributions (AVC Investments) made by individual members of the Group.

The Group Financial Statements starting on page 44 have been prepared and audited so as to comply with Regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Group Management

The Group is administered by a body of Trustees known as Group Trustees. The Group Trustee structure of the Magnox Electric Group provides for a total of eleven Group Trustees, five appointed by Magnox Limited and six who represent members.

In the event of an issue being put to a vote at a meeting, each Appointed Group Trustee, with the exception of the Chairman, has one and a half votes and each member representative Group Trustee has one vote. In the event of an equality of votes the Chairman has the discretion to exercise her only vote, which is a casting vote, to resolve the issue concerned. In the year under review there were no occasions on which the Chairman used this casting vote.

Member representative appointments are now made through a selection process, as described under the appointment and removal section.

The Group Trustees' duties and responsibilities are carried out by a trust company, limited by guarantee, called Magnox Electric Group Pension Trustee Co Ltd.

The Directors of Magnox Electric Group Pension Trustee Co Ltd have the same functions as individual Group Trustees. The rules for their appointment, selection and tenure of office are documented in the Articles of Association and are exactly the same as individual Group Trustees, as are their responsibilities under the provisions of the Group and pensions legislation. For simplicity the term 'Group Trustees' has been used in this Report as shorthand for the more accurate term 'Directors of Magnox Electric Group Pension Trustee Co Ltd'.

There is also a central Scheme Trustee, Electricity Pensions Trustee Limited (EPTL). EPTL is a trust corporation with a Board of Directors.

Group Trustees

APPOINTED TRUSTEE DIRECTORS
Susan Jee Chairman of the Group Trustees [6]
Andrew Clare Chairman of the Investment Sub-committee (Independent Trustee) [1]
Paul Edwards Chairman of the Governance & Audit Sub-committee until 4 June 2019 [5]
Martin Veasey (Independent Trustee) [1]
Karen Walkden (current employee, Daresbury)

MEMBER REPRESENTATIVE TRUSTEE DIRECTORS
Jim Boyd (Retired employee) [1,4]
Paul Bridgeman (Retired employee) Chairman of the Governance & Audit Sub-committee from 4 June 2019 [2,4]
Ceri Davies (Current employee, Oldbury Technical Centre) [2,3]
Nick Gore (Retired employee) [1,4]
Fergus Hall (Retired employee) [2,4]
John Jones (Current employee, Wylfa) [3]

Note:
1. Member of the Investment Committee
2. Member of the Governance & Audit Sub-committee
3. Active member of the Group
4. In receipt of pension from the Group
5. Current employee of Cavendish Nuclear Limited seconded to Magnox
6. Non-Executive Director Magnox Limited

Appointment and Removal of Group Trustees

The five Appointed Group Trustees are appointed by, and can be removed by, Magnox Limited. The six member representative Group Trustees have been elected by contributing and pensioner members of the Group or appointed by a selection panel. For appointments from 1st January 2018 onwards, the election process was replaced by a selection panel. In addition to changes that take place at an election/ selection process, a member representative Group Trustee ceases to be a Trustee if he/she resigns, ceases to be a contributing member or pensioner of the Group, or is removed from office by a majority of the other Elected Group Trustees. A casual vacancy for a member representative Trustee can be filled by a person nominated by the remaining member representative Group Trustees. Member representative Group Trustees normally now serve for a term of six years.

Once having taken up office all Group Trustees - both member representative and Appointed - act on behalf of and are accountable to all members of the Group.

Meetings of the Group Trustees during the Year

During the year the Group Trustees met seven times, including three special meetings. At their regular meetings the Group Trustees dealt with all matters relating to the management of the Group members' benefits, funding, governance matters and the investment of the Group's assets. They also received periodic reports and presentations from their committees, working groups and advisers. In addition Group Trustees maintained and monitored their Risks and Business Plan and received training. Three special meetings were held during the year at which the focus was on investment matters.

Trustee Committees

In addition to the meetings of the Group Trustees, certain matters were subject to detailed consideration in Trustee Committees. During the year there were two Trustee Committees in operation.

The Investment Sub-committee is the main interface with investment managers allowing its members to maintain an in-depth knowledge and understanding of them and the Group's investments. Its main aim is to ensure sufficient time is available for investment matters to be properly addressed. The committee reports comprehensively to the Trustee Board on the performance of the Group's investments and any other matters it has reviewed or considered. The Committee members are set out on page 3. In addition the Principal Employer (Magnox Limited) may nominate not more than two individuals to be non-voting members of the sub-committee. Group Trustees who are not members of the committee routinely attend meetings of the sub-committee as and when they are able to do so. The Investment Sub-committee met four times during the year.

There is a Governance and Audit Sub-committee which advises the Trustee Board on agreed aspects of the Group's governance and controls to provide assurance of effective stewardship. The committee provides comprehensive reports to the Trustee Board and the meetings are open for any Group Trustee who is not a member of the committee to attend. This Sub-committee met four times during the year.

Communication with members was maintained by means of Pensions Update newsletters and via the website, the Group Annual Meeting held at Berkeley.

Group Trustees' Responsibilities in Respect of the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Group Trustees. Pension scheme regulations require, and the Group Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Group during the Group year and of the amount and disposition at the end of the Group year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Group year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Group Trustees are responsible for selecting suitable accounting policies to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue as a going concern.

The Group Trustees are also responsible for making available certain other information about the Group in the form of an annual report.

The Group Trustees also have a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Group Trustees' Responsibilities in Respect of Contributions

The Group Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Group by or on behalf of employers and the active members of the Group and the dates on or before which such contributions are to be paid.

The Group Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Group and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Group in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Group Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Additional Group Trustees' Responsibilities

The structure of the Scheme means that certain matters are dealt with by Group Trustees and certain matters are dealt with by the Scheme Trustee. The main additional responsibilities of the Group Trustees are:

- to determine an investment strategy for Group assets;
- to ensure appropriate management of the Group assets;
- to arrange for regular actuarial valuations of the Group to be carried out in accordance with the funding principles agreed with the Employers;
- to prepare and agree with the Employers a Statement of Funding Principles which includes the actuarial assumptions used to assess the Group's liabilities;
- to agree a recovery plan with the Employers for making good any shortfall in assets against liabilities identified in periodic actuarial valuations; and
- to make available to members annual funding updates on the financial position of the Group.

In carrying out their work the Group Trustees must always act impartially and in the best interests of all the members of the Magnox Group.

To assist them in their work the Group Trustees have appointed a team of professional advisers whose advice is taken into account when necessary. The advisers include lawyers, actuaries, administrators, investment consultants and investment managers. Their names are set out on pages 79 and 80. The Trustee Directors are assisted in the management of the Group by the pensions team from Magnox Ltd including the Group Administrator, Rachel Hewlett.

Under a revised constitution introduced in January 2012, each Group within ESPS currently appoints two individuals to be Councillors on the Council which, amongst other matters, is responsible for the appointment of the Board of EPTL the Scheme Trustee. As at 31 March 2019 Fergus Hall was the councillor chosen by the member representative Trustee Directors and Rachel Hewlett was the councillor chosen by our Principal Employer. There were no Magnox Electric Group councillors represented on the Board of EPTL.

The main responsibilities of EPTL are:

- to ensure the safe custody and administrative control of assets;
- to produce the Scheme Report & Financial Statements on an annual basis; and
- to ensure proper investment management of Group assets invested in the Unitised Fund.

Administration report

Membership statistics for the year ended 31 March 2019

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2018	**1,405**	**5,602**	**1,357**	**1,336**	**9,700**
Adjustments to opening balance	-	(1)	-	-	(1)
Sub Total	**1,405**	**5,601**	**1,357**	**1,336**	**9,699**
Increases					
Contributors/pensioners/dependants/ deferred pensioners	-	128	97	42	267
Pension sharing orders and new equivalent pension benefit ("EPB") pensioners in payment	-	-	-	2	2
Sub Total	**-**	**128**	**97**	**44**	**269**
Reductions					
Contributors / deferred pensioners retiring	(49)	-	-	(79)	(128)
Deaths	-	(163)	(79)	(3)	(245)
Leavers with deferred pensions	(42)	-	-	-	(42)
Leavers with refunds of contributions/ transfers to other schemes/cessation of child allowances	-	-	-	(62)	(62)
Sub Total	**(91)**	**(163)**	**(79)**	**(144)**	**(477)**
At 31 March 2019	**1,314**	**5,566**	**1,375**	**1,236**	**9,491**

The membership statistics for each section are included in appendix 1.

Pensions increases

The Rules of the Scheme applicable to the Group provide for all pensions in payment, children's allowances and deferred pensions to be increased on an annual basis on 1 April each year in accordance with the rise in the Retail Prices Index (RPI) in the 12 months ended on the preceding 30 September. If the RPI increase is greater than 5% the Company has the discretion to limit the pension increase to a lower figure subject to a minimum of 5%.

The pensions increase applied from 1 April 2019 was 3.3% in line with the RPI increase for the 12 months to 30 September 2018 and was therefore non-discretionary. A proportionate increase was applied to pensions which came into payment between 2 April 2018 and 1 March 2019.

Pension increases over the previous five years were:

1 April 2018	3.9%
1 April 2017	2.0%
1 April 2016	0.8%
1 April 2015	2.3%
1 April 2014	3.2%

Transfers from the Group

Deferred pensioners can transfer the cash equivalent of their deferred benefits to a new employer's approved pension arrangement.

New regulations were brought into force on 1 October 2008, the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, replacing the old actuary certified process with a trustee-driven regime. The effect of this was to reduce the actuary's role to an advisory one and the Group Trustees became responsible for calculating and verifying transfer values.

The transfer value payable in such circumstances is to be calculated and verified by either:

- calculating the cash equivalent of the deferred benefits on a best estimate basis; or
- an alternative method in accordance with Regulation 7E of the 2008 Regulations.

The Finance Act 2004 introduced new rights for members who leave the Group with between 3 months and two years of Qualifying Service. These individuals can choose between a refund of contributions and a Cash Transfer Sum (which is calculated in the same manner as a cash equivalent transfer value but without the underlying minimum guarantee which applies to deferred pensioners as set out in the second bullet point above).

In all cases the cash equivalents paid during the year were calculated and verified in the manner prescribed by the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The policy of the Group Trustees is to make no allowance for discretionary benefits.

Investment Report

Investment Arrangements

The investment strategies set by the Group Trustees for each Section are based on advice received from Aon Hewitt Limited and take into account each Section's current and anticipated future pension liability profile.

The Group Trustees are responsible for making suitable arrangements for the investment of the assets of each Section and for monitoring the investment performance of those assets.

Investment reports are received at quarterly intervals and fund manager representatives attend meetings of the Group Trustees as required to discuss the results of their management of assets against the agreed targets.

The names of those who manage each Section's investments can be found on page 80.

See Note 11 to the financial statements for details of the allocation of each Section's assets as at 31 March 2019.

Statement of Investment Principles

The Group Trustees have produced a Statement of Investment Principles (SIP) and Investment Policy Implementation Document (IPID) in accordance with the requirements of the Pensions Act 1995 & 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. In preparing the SIP the Group Trustees took professional advice from Aon Hewitt Limited and consulted with the relevant sponsoring companies of each Section.

The SIP and IPID cover the Group Trustees' policy on the following matters:

(a) ensuring compliance with the current investment requirements;
(b) investment objectives and overview of strategy;
(c) investment beliefs;
(d) risk;
(e) realisation of investments; and
(f) social, environmental and ethical investment considerations.

The Group Trustees are not aware of, and have not been informed by the fund managers of, any departures from the SIP during the year. A copy of the SIP can be obtained by writing to the Group's Administrator, whose address and telephone number appears on page 79.

Socially Responsible Investment and Corporate Governance

The Group Trustees have delegated Social Responsible Investment (SRI) and corporate governance to their appointed fund managers. Where appropriate, the appointed fund managers have regard to each company's approach to social, environmental and ethical issues in assessing the long term financial merits of investing in that company. Furthermore, they may use their influence on behalf of shareholders to seek improvements in such areas if they consider the company does not comply with good practice. The Group Trustees are satisfied with the fund managers' approach to SRI and corporate governance.

Strategic changes over the year to 31 March 2019

SLC Section

Following the investment strategy review in June 2017, the Group Trustees agreed to reduce the equity exposure of the Section in favour of a long-term target portfolio focussed on liability driven investment ("LDI"), credit and inflation-linked assets. This involved the appointment of nine new mandates across existing asset classes such as long lease property (CBRE), property debt (GAM & DRC) and infrastructure (IFM & Innisfree) as well as new asset classes such as asset-backed securities (Insight), direct lending (BlueBay & Hayfin) and private rented sector property (L&G and Invesco). In total £750m was committed to new or existing mandates over the 12 months to 31 March 2019.

The long-term target portfolio is in the process of being implemented as the commitments to the new mandates take time to drawdown - this is because it takes time for the managers to source attractive opportunities within their respective asset classes. The portfolio is expected to be fully drawn within the next 18-24 months (based on the current pipeline of opportunities) and funded from the Section's equity portfolio and holdings with JP Morgan, Schroders and Ruffer.

The Group Trustees disinvested £285m across Lindsell Train, LGIM and Genesis in three tranches over March-May 2018 to fund Insight and drawdown requests from CBRE, DRC, GAM and BlueBay. As at 31 March 2019, a portion of the proceeds were being held temporarily as cash with BMO and BlackRock pending further drawdowns from the new manager appointments.

In December 2018, the Group Trustees put in place some equity protection to protect the capital value of the remaining equity portfolio which is due be sold over 2019. The protection is designed to reduce the risk of being a forced seller of equities over the next 12 months should equity markets fall at the precise time the Section needs to sell.

The Group Trustees had previously set aside their holdings in the LGIM Index-Linked Gilts Fund to cover a £25m commitment to M&G. In January 2019, M&G called the commitment and the Group Trustees approved a full redemption of the Section's holdings in the LGIM Index-Linked Gilts Fund to cover the drawdown request and contribute towards the Section's ongoing cashflow requirements.

Cavendish Nuclear Section

Following the investment strategy review, the Group Trustees decided to increase the target interest rate hedging level from 80% to 100% of the Technical Provisions liability sensitivity to movements in interest rates. This was completed in April 2018.

In December 2018, the Group Trustees decided to switch the Section's holdings in the PIMCO Long Term UK Corporate Bond Fund to the Global Libor Plus Fund. The new fund has an absolute return focus and diversifies the Section's credit exposure away from solely UK corporate bonds into global credit markets. The interest rate protection previously being provided by the corporate bonds was replaced by LDI manager BMO to maintain the target interest rate hedging level.

The Group Trustees redeemed the Section's holdings with JP Morgan on 31 March 2019. The cash proceeds settled in May 2019 and are due to be temporarily invested with existing multi-asset manager, Schroders, pending further analysis following the triennial actuarial valuation.

Atkins Section

The Group Trustees made no changes to the Section's strategic asset allocation over the year to 31 March 2019.

In April 2019, the Group Trustees completed the purchase of an annuity insurance contract with Canada Life for c£40m. The annuity will be held as an asset of the Section and is viewed by the Group Trustees as an illiquid matching investment which reduces both the financial and demographic risk within the Section.

Following the annuity transaction the remaining assets in the LDI portfolio were rearranged to hedge the financial risk (interest rate and inflation risk) not being provided by the annuity with Canada Life.

The Group Trustees plan to revisit the investment strategy following the triennial actuarial valuation, with a view to being in a position to purchase further annuities as the membership matures.

NNL Section

The Group Trustees made no changes to the Section's strategic asset allocation over the year to 31 March 2019. The strategic asset allocation will be reviewed by the Group Trustees as part of the triennial actuarial valuation.

Investment Performance

A summary of the Sections' performance against their benchmarks over the last one year and three years is given in the table below.

	1 year to 31 March 2019		3 years (annualised) to 31 March 2019	
Section	**Return (%)**	**Benchmark (%)**	**Return (%)**	**Benchmark (%)**
SLC	6.0	6.3	9.5	9.1
Cavendish Nuclear	7.0	6.9	10.3	10.9
Atkins	5.8	5.8	8.7	9.0
NNL	3.2	5.8	6.5	8.1

Source: Manager valuation statements available within 6 weeks of quarter end.

SLC Section

The SLC Section generated a return of 6.0% over the one-year-period to 31 March 2019. This return was slightly behind the benchmark return for the same period. The Section's investment managers posted a range of results in terms of performance relative to their respective benchmarks over the year.

Absolute performance over the year was driven by equity managers, LGIM and Lindsell Train, property debt managers GAM, GreenOak and Longbow and infrastructure managers, Innisfree and Infrared.

Relative performance was affected over the year by fund of hedge fund manager JP Morgan and diversified growth fund managers Ruffer and Schroders not achieving their respective target returns and swaps underperforming gilts within the LDI mandate with BMO.

Cavendish Nuclear Section

The Cavendish Nuclear Section marginally outperformed its benchmark over the one year period to 31 March 2019. This outperformance was largely attributable to a slight overhedge with LDI manager BMO and the performance of UK equities manager Lindsell Train.

Atkins Section

The Atkins Section's performance was in line with benchmark over the one-year period to 31 March 2019. The Section has run a passive strategy over the last year and therefore was expected to perform in line with its benchmark.

NNL Section

The NNL Section underperformed its benchmark over the one year period to 31 March 2019. This underperformance was attributable to diversified growth managers Ruffer and Schroders, who failed to achieve their respective target returns over the year.

Employer Related Investments

The Investment Regulations limits employer related investments by occupational pension schemes. These investments include shares, loan stocks, debentures and other securities issued by the employers participating in the scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers.

The Regulations apply separately to each Group within the Electricity Supply Pension Scheme, by reference to the investments of the Group Trustees in the Employers participating in their Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

Details of the Group's Employer related investments are given in note 21 to the financial statements.

AVC Investments

During the year a number of members made additional voluntary contributions (AVC investments) via insurance companies to obtain further benefits, on a money purchase basis, within the overall limits set by HM Revenue & Customs. The Group Trustees hold these assets invested separately from the main fund in the form of insurance policies. Each member receives an annual statement at the year-end confirming the amount held in his/her account and the movements in the year.

Custody

The assets of the Group are subject to the overall custody and control of EPTL and are held by the Scheme-wide custodians appointed by EPTL to safeguard the assets.

The Bank of New York Mellon is the custodian in relation to securities. Where certificates are available in relation to such securities, they are held by The Bank of New York Mellon and identified as investments of the Scheme. Where certificates are not available, but records are held in computer based systems, the relevant accounts record the Scheme's ownership.

All cash is held in bank accounts in the name of the Scheme, or in a fund manager's institutional cash fund, commonly called a cash pool. This type of investment allows cash to be invested across a broad range of institutions thereby reducing risk and exposure.

Changes in Scheme Provisions

Scheme wide amendments by the Scheme Co-ordinator, Electricity Pensions Limited (EPL)

EPL may amend the provisions of the Scheme with the unanimous consent of all of the participating Principal Employers. During the year ended 31 March 2019 the following Scheme-wide amendments were made:

- Deed of Amendment dated 9 May 2018 enhanced some of the administrative arrangements relating to EGMs.
- Deed of Amendment dated 20 September 2018 permitted EPL to adopt specific deemed consent provisions with regards to the approval required by all Principal Employers.
- Deed of Amendment dated 19 March 2019 transferred all responsibilities in relation to ESPS AVC and DC arrangements to Groups.

Changes to the Group

There were no changes made to the rules during the year.

Guaranteed Minimum Pension ("GMP") Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. This is known as "GMP Equalisation". Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP Equalisation and provide interest on the backdated amounts.

The Group has undertaken a process of assessing the overall impact of GMP Equalisation, and plans to adjust members' benefits to reflect the correct position and communicate this to members. The Group Trustees have obtained an initial estimate of the backdated benefits and interest which relate to equalisation of Group benefits for the period between May 1990 and April 1997. Based on an initial assessment of the likely backdated amounts and related interest the Group Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Dispute Resolution Procedure

Pension legislation requires pension schemes to have procedures for the trustees to resolve disputes arising from the running of the scheme.

The Dispute Resolution Procedure for the Group is a one-stage process. A complaint from a member (including a pensioner, dependant, and deferred member) or prospective member must be addressed to the Trustee at the Pensions Department, Oldbury Technical Centre, Oldbury Naite, South Gloucestershire, BS35 1RQ, stating your full name and the details of your complaint. In normal circumstances your complaint will be acknowledged within one week and you will receive a written reply within four months. In practice the Trustee will review your complaint at its next meeting.

You will be notified of the Trustee's decision usually within fifteen days of the meeting.

This procedure has been introduced to comply with legislative requirements and does not preclude any member from raising any queries regarding the Group informally at any time.

The Report of the Group Trustees, as well as the Report on Actuarial Liabilities on pages 38 to 40, were approved by the Group Trustees and signed on their behalf on 20/8/19:

Independent auditors' statement about contributions to the Group Trustees of the Magnox Electric Group of the Electricity Supply Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Group year ended 31 March 2019 as reported in Magnox Electric Group of the Electricity Supply Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions specified in the summary of contributions payable to the Magnox Electric Group of the Electricity Supply Pension Scheme and certified by the Group Actuary as detailed on page 17.

We have examined the summary of contributions payable to the Magnox Electric Group of the Electricity Supply Pension Scheme for the Group year ended 31 March 2019 which is set out on pages 16 and 17.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Group under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Group Trustees in respect of contributions

As explained more fully in the statement of Group Trustees' responsibilities, the Group Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Group by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date 20 August 2019

Summary of contributions payable to the Magnox Electric Group of the Electricity Supply Pension Scheme

During the year ended 31 March 2019, the contributions required by the schedules of contributions were as follows:

Site Licence Company Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal*	25.6	-	**25.6**
Total (as reported on by the Group auditors)	**25.6**	**-**	**25.6**
Other contributions payable			
Augmentations (Early retirements)	3.8	-	**3.8**
Supplementary pensions funding	1.4	-	**1.4**
Other	0.7	-	**0.7**
AVCs	1.4	0.2	**1.6**
Total (as per Fund Account)	**32.9**	**0.2**	**33.1**

*Under salary sacrifice arrangements, £3.9m of contributions were met by the Employer rather than the Employees and are included in the £25.6m above.

Cavendish Nuclear Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal*	1.3	-	**1.3**
Total (as reported on by the Group auditors)	**1.3**	**-**	**1.3**
Other contributions payable			
AVCs	-	0.1	**0.1**
Total (as per Fund Account)	**1.3**	**0.1**	**1.4**

*Under salary sacrifice arrangements, £0.2m of contributions were met by the Employer rather than the Employees and are included in the £1.3m above.

Atkins Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal	0.2	-	**0.2**
Total (as per Fund Account)	**0.2**	**-**	**0.2**

National Nuclear Laboratory Section

	Employer £ million	Employee £ million	Total £ million
Required by the schedule of contributions			
Normal	0.2	-	**0.2**
Deficit	0.2	-	**0.2**
Total (as per Fund Account)	**0.4**	**-**	**0.4**

Summary of Schedules of Contributions in force during the year ended 31 March 2019:

Section	Date of certification of Schedule(s)
Site Licence Company	30 June 2017
Cavendish Nuclear	22 March 2017
Atkins	26 May 2017
National Nuclear Laboratory	22 March 2017

Approved by the Group Trustees and signed on their behalf on 20/8/19

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

SLC SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

Participating Employers

This schedule covers contributions to the SLC Section of the Group from all employers who participate in the Section from time to time.

Employer Contributions

The participating employers will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	As set out in Appendix A, equivalent to an average of 24.0% of Salaries up to 30 June 2017 and 33.6% of Salaries thereafter with backdating to 1 April 2017, for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement).

The participating employers will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate.

Contributions will be split between Magnox Limited and other participating employers in accordance with proportions notified from time to time by Magnox Limited to the Group Administrator, on behalf of the Group Trustees, in advance of the contributions being paid. In the event that any such contributions are not paid by the other participating employers, they shall be payable by Magnox Limited.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

A participating employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees by the Principal Employer in writing.

Non-investment related administration expenses in respect of the SLC Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Fund Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The participating employers will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Under the Employer's salary sacrifice arrangement, certain members are not required to pay their standard contributions. For those members, the participating employer will pay Additional Contributions equal to the contribution the member would have otherwise paid. The participating employers will ensure that the Group Trustees receive the Additional Contributions within 19 days of the end of the calendar month to which the contributions relate.

The NDA has been consulting on behalf of Magnox Limited with its employees, in relation to certain proposed benefit changes. The Group Trustees and Magnox Limited agree that, if benefit changes are made, both parties will use all reasonable endeavours to agree a revised schedule of contributions. The revised schedule of contributions will include a Company contribution offset, calculated based on the difference between the updated Company contribution rate required and 33.6% for the period (if any) from when the benefit changes take effect up to the date of revising this schedule.

Signed on behalf of the Group Trustees

Signature: *Susan Jee* Name: Susan Jee

Capacity: Trustee Director Date: 30 June 2017

Signature: *Fergus Hall* Name: Fergus Hall

Capacity: Trustee Director Date: 30 June 2017

Signed on behalf of the Employer

Signature: *Beverley Grey* Name: Beverley Grey

Capacity: Business Services Director Date: 30 June 2017

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
SLC Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period specified in the recovery plan dated 30 June 2017

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 June 2017

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	*Chris Vaughan-Williams*	Date	30 June 2017
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	25 Marsh Street Bristol BS1 4AQ	Name of employer	Aon Hewitt Limited

Appendix A
Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions or, for members who participate in the salary sacrifice arrangement, twice members' contributions that would otherwise have been payable had the member not participated in the salary sacrifice arrangement.
Deficit (Past Service)	Clause 13(1)(i)	Nil
Additional (Future Service)	Clause 13(1)(g)	12.0% of Salaries up to 30 June 2017 and 21.6% of Salaries thereafter with backdating to 1 April 2017, for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement).
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).
Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Other	Clause 13(1)(d) Rule 32A Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 32A. As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service) and Other contributions by the 19th day of the month following the month to which the contributions relate.

- Early retirement contributions and Supplementary pension contributions within 3 months of the month in which retirement occurs or the supplementary pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.

- Special terms contributions within 3 months of the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A as applicable or such later date as may be agreed by the Principal Employer with the Group Trustees.

- Clause 13(1)(b) and Clause 13(1)(c) contributions within 3 months of the month in which the relevant reduction in benefits is made or such later date as may be agreed by the Principal Employer with the Group Trustees.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

CAVENDISH NUCLEAR SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

Employer Contributions

The employer will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	Rates equivalent to an average of 31.6% of Salaries up to 31 March 2017, then 38.0% of Salaries up to 31 March 2020 and then 45.7% of Salaries thereafter, for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement). Full details are set out in Appendix A.

The employer will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

The employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees in writing.

Non-investment related administration expenses in respect of the Cavendish Nuclear Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The employer will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Under the Employer's salary sacrifice arrangement, certain members are no longer required to pay their standard contributions. For those members, the employer pays Additional Contributions equal to the contribution the member would have otherwise paid. The employer will ensure that the Group Trustees receive the Additional Contributions within 19 days of the end of the calendar month to which the contributions relate. For the avoidance of doubt these Additional Contributions are above and beyond the Employer contributions summarised above and in Appendix A.

Signed on behalf of the Group Trustees

Signature: *Susan Jee* | Name: Susan Jee

Capacity: Trustee Director | Date: 22 March 2017

Signature: *Fergus Hall* | Name: Fergus Hall

Capacity: Trustee Director | Date: 22 March 2017

Signed on behalf of the Employer

Signature: *Kevin Garvey* | Name: Kevin Garvey

Capacity: F.D. | Date: 6 March 2017

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
Cavendish Nuclear Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 March 2017

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	*Chris Vaughan-Williams*	Date	22 March 2017
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	25 Marsh Street Bristol BS1 4AQ	Name of employer	Aon Hewitt Limited

Appendix A
Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions or, for members who participate in the salary sacrifice arrangement, twice member's contributions that would otherwise have been payable had the member not participated in the salary sacrifice arrangement.
Deficit (Past Service)	Clause 13(1)(i)	Nil.
Additional (Future Service)	Clause 13(1)(g)	19.6% of Salaries up to 31 March 2017, then 26.0% of Salaries up to 31 March 2020 and then 33.7% of Salaries thereafter for members currently contributing (including those members that would be contributing were it not for the employer's salary sacrifice arrangement).
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).
Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d) Rule 32A Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 32A. As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month following the month in which retirement occurs or the supplementary pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable or such later date as may be agreed by the Principal Employer with the Group Trustees.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made or such later date as may be agreed by the Principal Employer with the Group Trustees.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

ATKINS SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

Employer Contributions

The employer will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	Rates equivalent to an average of 40.6% of Salaries up to 31 March 2017, then 47.0% of Salaries thereafter. Full details are set out in Appendix A.

The employer will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

The employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees in writing.

Non-investment related administration expenses in respect of the Atkins Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The employer will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Signed on behalf of the Group Trustees

Signature: *Susan Jee* Name: Susan Jee

Capacity: Trustee Director Date: 26 May 2017

Signature: *Fergus Hall* Name: Fergus Hall

Capacity: Trustee Director Date: 26 May 2017

Signed on behalf of the Employer

Signature: *Heath Drewett* Name: Heath Drewett

Capacity: Director Date: 4 May 2017

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
Atkins Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26 May 2017

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	*Chris Vaughan-Williams*	Date	26 May 2017
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	25 Marsh Street Bristol BS1 4AQ	Name of employer	Aon Hewitt Limited

Appendix A
Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions.
Deficit (Past Service)	Clause 13(1)(i)	Nil.
Additional (Future Service)	Clause 13(1)(g)	For members currently contributing, 28.6% of Salaries up to 31 March 2017, then 35.0% of Salaries thereafter.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment. The actuarial factors used to derive the value of the early retirement benefits will be based on solvency basis.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).
Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d) Rule 32A Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 32A. As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.

- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month following the month in which retirement occurs or the supplementary pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.

- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable or such later date as may be agreed by the Principal Employer with the Group Trustees.

- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made or such later date as may be agreed by the Principal Employer with the Group Trustees.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section.

MAGNOX ELECTRIC GROUP OF THE ESPS (THE GROUP)

NATIONAL NUCLEAR LABORATORIES SECTION

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Group's scheme actuary and covers the five year period from that date. The Group Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

Employer Contributions

The employer will contribute to the Section as follows:

Type	Period	Rate/Amount
Normal and Additional (future service)	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	Rates equivalent to an average of 35.2% of Salaries up to 31 March 2017, then 44.9% of Salaries thereafter. The shortfall over the year to 31 March 2017 will be met by an element of the deficit contributions. Full details are set out in Appendix A.
Deficit contributions	The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	£200,000 by each 31 March, from 31 March 2017 to 31 March 2020 inclusive. £80,000 by 31 March 2021.

The employer will ensure that the Group Trustees receive these contributions by the 19th day of the month following the month to which the contributions relate, except for Deficit Contributions which will be paid by the dates shown above.

The Group provisions cover other employer contributions when members leave service or retire which are not determined at periodic actuarial valuations. These and the above contributions are appended to this schedule. The participating employers will ensure that the Group Trustees receive these other contributions in accordance with the time limits appropriate to each contribution type as set out in Appendix A.

The employer may, from time to time, pay additional contributions to the Section as advised to the Group Trustees in writing.

Non-investment related administration expenses in respect of the National Nuclear Laboratories Section of the Group are met directly by the employer and do not appear in this schedule, with the exception of the Section's Pension Protection Levy, which is met by a matching employer contribution (if the levy is not directly paid by the employer).

Employee Contributions

Employees who are active members of the Section will contribute to the Section as follows:

Period	Rate/Amount
The five year period commencing with the date of certification of this schedule by the Group's scheme actuary.	The relevant rate of Salaries (6%, 5%, 3% or nil) as required under the Group's provisions.

These amounts do not include members' Additional Voluntary Contributions or other additional contributions members may choose to pay.

The employer will ensure that the Group Trustees receive the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Signed on behalf of the Group Trustees

Signature: *Susan Jee*

Name: Susan Jee

Capacity: Trustee Director

Date: 22 March 2017

Signature: *Fergus Hall*

Name: Fergus Hall

Capacity: Trustee Director

Date: 22 March 2017

Signed on behalf of the Employer

Signature: *Ruth Dunphy*

Name: Ruth Dunphy

Capacity: C.F.O.

Date: 22 March 2017

Certification of schedule of contributions

Name of scheme: Magnox Electric Group of the Electricity Supply Pension Scheme
National Nuclear Laboratories Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

The statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period specified in the recovery plan dated 22 March 2017

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 March 2017

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature	*Chris Vaughan-Williams*	Date	22 March 2017
Name	Chris Vaughan-Williams	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	25 Marsh Street Bristol BS1 4AQ	Name of employer	Aon Hewitt Limited

Appendix A
Employer contribution details

Contribution	Clause/Rule	Rate/Amount
Normal	Clause 13(1)(a)	Twice members' contributions.
Deficit (Past Service)	Clause 13(1)(i)	£200,000 by each 31 March, from 31 March 2017 to 31 March 2020 inclusive. £80,000 by 31 March 2021.
Additional (Future Service)	Clause 13(1)(g)	For members currently contributing, 23.2% of Salaries up to 31 March 2017, then 32.9% of Salaries thereafter. The shortfall over the year to 31 March 2017 will be met by an element of the deficit contributions.
Early retirement	Clause 13(1)(e) (arising from Rule 16 and Rule 17)	The cost of early retirements (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Supplementary pensions	Clause 13(1)(f) (arising from Rule 44)	The cost of supplementary pensions (assessed using actuarial factors provided by the Actuary) met by a lump sum payment.
Special terms	Clause 13(1)(f) (arising from Rule 32)	As required under the provisions of Rule 32.
Employer's matching contribution to reduction in benefits under Rule 29(1)(b)	Clause 13(1)(b)	As required under the provisions of Clause 13(1)(b).
Employer's matching contribution to reduction in lump sum benefits under Rule 14(3), Rule 20(5) and Part II of Appendix B	Clause 13(1)(c)	As required under the provisions of Clause 13(1)(c).
Expenses of administration	Clause 13(1)(h)	Contributions required to match the Pension Protection Fund levy if not directly paid by the employer.
Other	Clause 13(1)(d) Rule 32A Clause 13(1)(ff)	As required under the provisions of Clause 13(1)(d). As required under the provisions of Rule 32A. As required under the provisions of Clause 13(1)(ff).

Subject to the note below, the Participating Employers will ensure that the Group Trustees receive in such a manner (or manners) as notified to the Group Trustees in writing:

- Normal, Additional (Future Service), Expenses of Administration and Other contributions by the 19th day of the month following the month to which the contributions relate.
- Deficit contributions by the due dates shown above.
- Early retirement contributions and Supplementary pensions contributions by the 19th day of the month following the month in which retirement occurs or the supplementary pension is granted or such later date as may be agreed by the Principal Employer with the Group Trustees.
- Special terms contributions by the 19th day of the month following the month in which the grant of special terms is made or the increase in Benefit is made under Rule 32A, as applicable or such later date as may be agreed by the Principal Employer with the Group Trustees.
- Clause 13(1)(b) and Clause 13(1)(c) contributions by the 19th day of the month following the month in which the relevant reduction in benefits is made or such later date as may be agreed by the Principal Employer with the Group Trustees.

The date of receipt by the Group Trustees will be taken as the date on which the contributions are credited for value to an ESPS account designated to the Section.

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the Financial Statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed every three years using assumptions agreed between the Group Trustees and the Employer and set out in each Section's Statement of Funding Principles, a copy of which is available to Group members on request.

The most recent triennial actuarial valuations of the SLC, Cavendish Nuclear, Atkins and NNL Sections of the Group were carried out as at 31 March 2016, and the results are set out in the table below:

	SLC £m	Cavendish Nuclear £m	Atkins £m	NNL £m
Value of technical provisions	2,707.7	56.3	51.4	9.1
Value of assets available to meet technical provisions	2,706.2	56.5	58.3	8.3
As a percentage of technical provisions	100%	100%	113%	91%

An approximate update was performed as at 31 March 2018 for each Section and the results are set out in the table below:

	SLC £m	Cavendish Nuclear £m	Atkins £m	NNL £m
Value of technical provisions	3,099.6	72.6	62.7	11.2
Value of assets available to meet technical provisions	3,154.9	71.5	69.6	10.1
As a percentage of technical provisions	102%	98%	111%	90%

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence each Section in the future, such as levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in calculations are as follows:

Method

The actuarial method used in calculation of the technical provisions for each Section is the Projected Unit Method.

Significant actuarial assumptions

Discount rate	SLC Pre and post-retirement: gilt yield curve at the valuation date plus a risk premium of 1.45% per annum. Cavendish Nuclear Pre and post-retirement: the gilt yield curve at the valuation date plus a risk premium of 0.5% per annum. Atkins Pre and post-retirement: the gilt yield curve at the valuation date plus a risk premium of 0.5% per annum. NNL Pre-retirement: the gilt yield curve at the valuation date plus a risk premium of 1.6% per annum. Post-retirement: the gilt yield curve at the valuation date plus a risk premium of 0.4% per annum.
Future retail price inflation	Term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.
Future consumer price inflation	Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.1% per annum.
Pension increases	Derived from the term dependent rates for future retail price and consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Group's Rules.
Pay increases	SLC Pay increases in line with term dependent rates for future retail price inflation with an allowance for promotional increases. Cavendish Nuclear Pay increases of 0.5% per annum above the term dependent rates for future consumer price inflation with an allowance for promotional increases. Atkins Pay increases in line with the term dependent rates for future retail price inflation. NNL Pay increases of 0.5% per annum above the term dependent rates for future retail price inflation with an allowance for promotional increases.

Post-retirement mortality assumption – base table	SLC SAPS S2P All lives tables with 90% scaling factor for non-pensioner members and 85% for pensioner members. Cavendish Nuclear SAPS S2P Light tables with 95% scaling factor for all members. Atkins SAPS S2P Light tables with 90% scaling factor for all members. NNL SAPS S2P Light tables with 100% scaling factor for all members.
Post-retirement mortality assumption – future improvements	SLC CMI 2015 core projections with long-term rate of 1.25% per annum for men and women. Cavendish Nuclear CMI 2015 core projections with long-term rate of 1.25% per annum for men and women. Atkins CMI 2015 core projections with long-term rate of 1.5% per annum for men and women. NNL CMI 2015 core projections with long-term rate of 1.25% per annum for men and women.

Recovery plans

Recovery plan arrangements are in place for the Sections where a funding deficit was declared at the last actuarial valuation. These arrangements were formalised in a Schedule of Contributions, which the Group Actuary certified. Details of the contributions and copies of the certificates can be found in the Schedules of Contributions on pages 18 to 37 of this annual report.

Next actuarial valuation

The next triennial valuation for each Section will be performed as at 31 March 2019. The Group Trustees expect to agree revised recovery plans (where applicable) within the statutory timescale by 30 June 2020.

Independent auditors' report to the Group Trustees of the Magnox Electric Group of the Electricity Supply Pension Scheme

Report on the audit of the financial statements

Our opinion

In our opinion, Magnox Electric Group of the Electricity Supply Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Group during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets available for benefits as at 31 March 2019; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Group Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Group Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group, its operations and other organisations on which it depends and the wider economy.

Reporting on other information

The other information comprises all the information in the annual report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Group Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Group Trustees for the financial statements

As explained more fully in the statement of Group Trustees' responsibilities, the Group Trustees are responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Group Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Group Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group Trustees either intend to wind up the Group, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Group Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date 20 August 2019

Fund Account for the year to 31 March 2019

	Note	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**	*Total 2018 £ million*
Additions from dealings with members							
Employer contributions	5	32.9	1.3	0.2	0.4	**34.8**	*34.1*
Employee contributions	5	0.2	0.1	-	-	**0.3**	*1.9*
Total contributions		33.1	1.4	0.2	0.4	**35.1**	*36.0*
Transfers from other plans	6	0.1	-	-	-	**0.1**	*0.2*
Other income	7	-	-	-	-	**-**	*0.2*
		33.2	1.4	0.2	0.4	**35.2**	*36.4*
Withdrawals from dealings with members							
Benefits	8	(116.7)	(0.8)	(1.1)	(0.2)	**(118.8)**	*(116.7)*
Payments to and on account of leavers	9	(31.8)	(0.6)	(1.5)	-	**(33.9)**	*(17.4)*
		(148.5)	(1.4)	(2.6)	(0.2)	**(152.7)**	*(134.1)*
Net withdrawals from dealings with members		(115.3)	-	(2.4)	0.2	**(117.5)**	*(97.7)*
Returns on investments							
Investment income	10	38.3	0.8	1.8	-	**40.9**	*38.0*
Change in market value of investments	11	147.4	4.3	2.1	0.4	**154.2**	*66.6*
Investment management expenses	12	(3.8)	-	-	-	**(3.8)**	*(2.7)*
Taxes on investment income	13	0.6	-	-	-	**0.6**	*0.7*
Net returns on investments		182.5	5.1	3.9	0.4	**191.9**	*102.6*
Net increase in the fund during the year		67.2	5.1	1.5	0.6	**74.4**	*4.9*
Opening net assets		3,171.8	72.0	70.7	10.2	**3,324.7**	*3,319.8*
Closing net assets		**3,239.0**	**77.1**	**72.2**	**10.8**	**3,399.1**	*3,324.7*

The accompanying notes on pages 46 to 73 form an integral part of these financial statements.

Statement of Net Assets Available for Benefits as at 31 March 2019

	Note	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**	*Total 2018 £ million*
Investment assets							
Equities	**11**	103.7	-	-	0.6	**104.3**	*119.8*
Bonds	**11**	55.7	-	-	0.7	**56.4**	*54.6*
Property loan assets	**11**	125.2	-	-	-	**125.2**	*114.9*
Pooled investment vehicles	**14**	2,861.2	75.7	71.4	8.7	**3,017.0**	*2,920.9*
Derivatives	**15**	0.1	-	-	-	**0.1**	*0.1*
AVC investments	**16**	15.5	0.7	0.4	0.1	**16.7**	*18.6*
Cash	**17**	72.6	0.5	0.4	0.5	**74.0**	*64.9*
Other investment balances	**17**	10.0	-	-	0.1	**10.1**	*24.5*
		3,244.0	76.9	72.2	10.7	**3,403.8**	*3,318.3*
Investment liabilities							
Derivatives	**15**	(0.3)	-	-	-	**(0.3)**	-
Other investment balances	**17**	(7.3)	-	-	(0.1)	**(7.4)**	*(1.0)*
		(7.6)	-	-	(0.1)	**(7.7)**	*(1.0)*
Total net investments		3,236.4	76.9	72.2	10.6	**3,396.1**	*3,317.3*
Current assets	**22**	3.8	0.2	0.6	0.2	**4.8**	*8.6*
Current liabilities	**23**	(1.2)	-	(0.6)	-	**(1.8)**	*(1.2)*
Total net assets available for benefits		**3,239.0**	**77.1**	**72.2**	**10.8**	**3,399.1**	*3,324.7*

The financial statements summarise the transactions of the Group and deal with the net assets at the disposal of the Group Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Group year. The actuarial position of the Group, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included within this Annual Report on pages 38 to 40 and these financial statements should be read in conjunction with this report.

The financial statements on pages 44 to 73 were approved by the Group Trustees on 20/8/19.

Signed on behalf of the Group Trustees:

Notes to the financial statements

1. Basis of preparation

The individual financial statements of Magnox Electric Group of the Electricity Supply Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised June 2018) ("the SORP"). The Group Trustee has taken advantage of the option to adopt the amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial Review 2017 Incremental Improvements and Clarification issued in December 2017, and the SORP (Revised June 2018), early for these financial statements.

2. Identification of the financial statements

The Group is established as a trust under English law. The address for enquiries to the Group is included in the Group Trustee Report on page 18.

3. Comparative disclosures for the Fund Account and Statement of Net Assets Available for Benefits

Fund Account for the year to 31 March 2018

	Note	*SLC Section 2018 £ million*	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Additions from dealings with members						
Employer contributions	5	32.1	1.4	0.2	0.4	**34.1**
Employee contributions	5	1.8	0.1	-	-	**1.9**
Total contributions		33.9	1.5	0.2	0.4	**36.0**
Transfers from other plans	6	0.2	-	-	-	**0.2**
Other income	7	0.1	0.1	-	-	**0.2**
		34.2	1.6	0.2	0.4	**36.4**
Withdrawals from dealings with members						
Benefits	8	(114.3)	(1.0)	(1.0)	(0.4)	**(116.7)**
Payments to and on account of leavers	9	(17.3)	-	(0.1)	-	**(17.4)**
		(131.6)	(1.0)	(1.1)	(0.4)	**(134.1)**
Net (withdrawals) / additions from dealings with members		(97.4)	0.6	(0.9)	-	**(97.7)**
Returns on investments						
Investment income	10	38.0	-	-	-	**38.0**
Change in market value of investments	11	64.2	1.6	0.6	0.2	**66.6**
Investment management expenses	12	(2.6)	-	(0.1)	-	**(2.7)**
Taxes on investment income	13	0.7	-	-	-	**0.7**
Net returns on investments		100.3	1.6	0.5	0.2	**102.6**
Net increase / (decrease) in the fund during the year		2.9	2.2	(0.4)	0.2	**4.9**
Opening net assets		3,168.9	69.8	71.1	10.0	**3,319.8**
Closing net assets		3,171.8	72.0	70.7	10.2	**3,324.7**

The accompanying notes on pages 46 to 73 form an integral part of these financial statements.

Statement of Net Assets Available for Benefits as at 31 March 2018

	Note	*SLC Section 2018 £ million*	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Investment assets						
Equities	**11**	*119.2*	-	-	*0.6*	***119.8***
Bonds	**11**	*53.9*	-	-	*0.7*	***54.6***
Property loan assets	**11**	*114.9*	-	-	-	***114.9***
Pooled investment vehicles	**14**	*2,772.8*	*70.6*	*69.2*	*8.3*	***2,920.9***
Derivatives	**15**	*0.1*	-	-	-	***0.1***
AVC investments	**16**	*16.9*	*0.5*	*1.1*	*0.1*	***18.6***
Cash	**17**	*63.3*	*0.7*	*0.4*	*0.5*	***64.9***
Other investment balances	**17**	*24.5*	-	-	-	***24.5***
		3,165.6	*71.8*	*70.7*	*10.2*	***3,318.3***
Investment liabilities						
Derivatives	**15**	-	-	-	-	**-**
Other investment balances	**17**	*(1.0)*	-	-	-	***(1.0)***
		(1.0)	-	-	-	***(1.0)***
Total net investments		*3,164.6*	*71.8*	*70.7*	*10.2*	***3,317.3***
Current assets	**22**	*8.3*	*0.2*	*0.1*	-	***8.6***
Current liabilities	**23**	*(1.1)*	-	*(0.1)*	-	***(1.2)***
Total net assets available for benefits		*3,171.8*	*72.0*	*70.7*	*10.2*	***3,324.7***

4. Summary of significant accounting policies

Currency

The Group's functional currency and presentational currency is pounds sterling (GBP).

Assets and liabilities in foreign currency are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal and additional voluntary contributions, both from employees and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of employee contributions this is when they are deducted from pay.

Employers' augmentation contributions, Rule 29 and Supplementary contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

Employers' deficit funding contributions are accounted for on the due dates set out in the Schedule of Contributions, or on receipt if earlier, with the agreement of the Employer and Group Trustees.

Transfers to and from the Group

Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Group. They are accounted for on an accruals basis on the date the trustees of the receiving plan accept the liability. In the case of individual transfers, this is normally when payment of the transfer value is made.

Benefits and payments to and on account of leavers

Pensions in payment are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Group Trustees are notified of the members' decision to leave the Group.

Where the Group Trustees agree or are required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Group, any tax liability due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

Investment income and expenditure

Income from equities, and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short term deposits and income from other investments are accounted for on an accruals basis.

Investment income includes withholding taxes. Withholding taxes is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Group such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

Valuation and classification of investments

Investment assets and liabilities are included in the Financial Statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted and other unit prices are not available, the Group Trustees adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the Notes to the Financial Statements where used.

The methods of determining fair value for the principal classes of investments are:

- Equities, bonds and certain pooled investment vehicles, which are traded on an active market, are included at the quoted price, which is normally the bid price;
- Unitised pooled investment vehicles, which are not traded on an active market, but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end;
- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustees. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made;
- Investment in partnership arrangements which are designed to produce cash flows which may vary with future events are included at the present value of expected cash flows determined using a Monte Carlo simulation of a range of possible outcomes.
- Forward foreign exchange contracts (FFX) are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Accrued interest is excluded from the market value of bonds, but is included in investment income receivable.

5. Contributions

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Employers:					
- Normal[1]	25.6	1.3	0.2	0.2	**27.3**
- Deficit funding[2]	-	-	-	0.2	**0.2**
- Augmentations (Contractual early retirements)	3.8	-	-	-	**3.8**
- Supplementary pensions funding[3]	1.4	-	-	-	**1.4**
- Other					
- Rule 29	0.7	-	-	-	**0.7**
- Salary sacrifice AVC	1.4	-	-	-	**1.4**
Employees:					
- AVCs	0.2	0.1	-	-	**0.3**
	33.1	1.4	0.2	0.4	**35.1**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Employers:					
- Normal[1]	*26.9*	*1.4*	*0.2*	*0.2*	***28.7***
- Deficit funding[2]	-	-	-	*0.2*	***0.2***
- Augmentations (Contractual early retirements)	*3.4*	-	-	-	***3.4***
- Supplementary pensions funding[3]	*1.0*	-	-	-	***1.0***
- Other					
- Rule 29	*0.8*	-	-	-	***0.8***
- Salary sacrifice AVC	-	-	-	-	-
Employees:					
- AVCs	*1.8*	*0.1*	-	-	***1.9***
	33.9	*1.5*	*0.2*	*0.4*	***36.0***

[1] Included within Normal Employers are contributions that were met by the employer rather than the employees under the salary sacrifice arrangement. The salary sacrifice contributions for the SLC Section were £3.9 million (*2018: £4.1 million*), and for the Cavendish Nuclear Section £0.2 million (*2018: £0.2 million*).

[2] Deficit funding contributions are being paid for the NNL Section as a result of the funding deficit declared in the Actuarial Valuation under the terms of the agreement between the Employer and the Group Actuary. £200,000 was received in the years to 31 March 2019 and 31 March 2018 and this amount will continue to be paid each 1 April to 1 April 2019.

[3] Supplementary pensions funding represents Employer contributions payable to meet contractual additional benefits on early retirement including Rule 32 payments (grant of special terms).

6. Transfers from other plans

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Transfer values received from other pension arrangements:					
- Individual transfers	0.1	-	-	-	**0.1**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Transfer values received from other pension arrangements:					
- Individual transfers	*0.2*	-	-	-	***0.2***

7. Other income

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Backdated VAT reclaim	-	-	-	-	-
Claims on term insurance policies	-	-	-	-	-
	-	-	-	-	-

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Backdated VAT reclaim	*0.1*	-	-	-	***0.1***
Claims on term insurance policies	-	*0.1*	-	-	***0.1***
	0.1	*0.1*	-	-	***0.2***

8. Benefits

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Pensions	106.2	0.7	1.0	0.2	**108.1**
Lump sum retirement benefits and commutations	9.3	0.1	0.1	-	**9.5**
Purchase of annuities on retirement (AVCs)	0.9	-	-	-	**0.9**
Lump sum death benefits (in service)	-	-	-	-	**-**
Lump sum death benefits (in retirement)	0.3	-	-	-	**0.3**
Taxation where lifetime or annual allowance exceeded	-	-	-	-	**-**
	116.7	0.8	1.1	0.2	**118.8**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Pensions	*103.5*	*0.7*	*0.9*	*0.2*	***105.3***
Lump sum retirement benefits and commutations	*9.1*	*0.1*	-	*0.2*	***9.4***
Purchase of annuities on retirement (AVCs)	*1.1*	-	-	-	***1.1***
Lump sum death benefits (in service)	*0.2*	*0.2*	-	-	***0.4***
Lump sum death benefits (in retirement)	*0.1*	-	-	-	***0.1***
Taxation where lifetime or annual allowance exceeded	*0.3*	-	*0.1*	-	***0.4***
	114.3	*1.0*	*1.0*	*0.4*	***116.7***

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Group in exchange for the Group settling their tax liability.

As explained on page 13 of the Group Trustees Report, in October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. This is known as "GMP Equalisation". Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP Equalisation and provide interest on the backdated amounts.

The Group has undertaken a process of assessing the overall impact of GMP Equalisation, and plans to adjust members' benefits to reflect the correct position and communicate this to members. The Group Trustees have obtained an initial estimate of the backdated benefits and interest which relate to equalisation of Group benefits for the period between May 1990 and April 1997. Based on an initial assessment of the likely backdated amounts and related interest the Group Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

9. Payments to and on account of leavers

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Purchase of annuities to match preserved benefits	0.1	-	-	-	**0.1**
Transfer values paid to other pension arrangements:					
- Individual transfers	30.5	0.6	0.9	-	**32.0**
- Individual transfers - AVCs	1.0	-	0.6	-	**1.6**
Intra-scheme transfers					
- Individual transfers	0.2	-	-	-	**0.2**
	31.8	0.6	1.5	-	**33.9**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Purchase of annuities to match preserved benefits	*0.1*	-	-	-	***0.1***
Transfer values paid to other pension arrangements:					
- Individual transfers	*15.2*	-	-	-	***15.2***
- Individual transfers - AVCs	*1.1*	-	*0.1*	-	***1.2***
Intra-scheme transfers					
- Individual transfers	*0.9*	-	-	-	***0.9***
	17.3	-	*0.1*	-	***17.4***

10. Investment income

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Dividends from equities	2.6	-	-	-	**2.6**
Income from bonds	0.4	-	-	-	**0.4**
Income from property loan assets	5.7	-	-	-	**5.7**
Income from pooled investment vehicles	29.1	0.8	1.8	-	**31.7**
Income from unitised fund	-	-	-	-	**-**
Interest on cash deposits	0.4	-	-	-	**0.4**
Other	0.1	-	-	-	**0.1**
	38.3	0.8	1.8	-	**40.9**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Dividends from equities	*4.4*	-	-	-	***4.4***
Income from bonds	*1.7*	-	-	-	***1.7***
Income from property loan assets	*10.2*	-	-	-	***10.2***
Income from pooled investment vehicles	*20.6*	-	-	-	***20.6***
Income from unitised fund	*0.8*	-	-	-	***0.8***
Interest on cash deposits	*0.2*	-	-	-	***0.2***
Other	*0.1*	-	-	-	***0.1***
	38.0	-	-	-	***38.0***

11. Reconciliation of net investments

Investment movements – SLC Section

	Value at 01.04.2018 £ million	Purchases at cost and derivative payments £ million	Sales proceeds and derivative receipts £ million	Change in market Value £ million	**Value at 31.03.2019 £ million**
Equities	119.2	33.0	(56.7)	8.2	**103.7**
Bonds	53.9	48.4	(50.2)	3.6	**55.7**
Property loan assets	114.9	22.6	(8.2)	(4.1)	**125.2**
Pooled investment vehicles	2,772.8	249.0	(302.0)	141.4	**2,861.2**
Derivatives – net	0.1	3.4	(2.5)	(1.2)	**(0.2)**
AVC investments	16.9	1.6	(2.0)	(1.0)	**15.5**
	3,077.8	358.0	(421.6)	146.9	**3,161.1**
Cash deposits	63.3				**72.6**
Other investment balances	23.5				**2.7**
Net investment assets	3,164.6				**3,236.4**

Change in market value – SLC Section

	2019	*2018*
	£ million	*£ million*
Change in market value shown above	**146.9**	*64.0*
Exchange gains	**0.5**	*0.2*
Change in market value per fund account	**147.4**	*64.2*

Derivative investments include instruments often with a short duration that are traded regularly, principally forward currency exchange contracts. As a result the purchases and sales figures are large because they reflect the turnover of such transactions during the course of the year.

Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above. Direct transaction costs incurred are analysed as follows:

	Pooled investment vehicles	Equities	**2019**	*2018*
	£ million	£ million	**£ million**	*£ million*
Fees	0.1	0.1	**0.2**	*0.1*
Commissions	-	-	**-**	*0.1*
Taxes	-	-	**-**	*-*
2019 total	0.1	0.1	**0.2**	
2018 total	-	*0.2*		*0.2*

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

The funds in which the Group invests have different trading dates and some have notice periods which would have prevented the Group from realising these assets at the year-end date. Where the Group invests in limited partnerships it is not possible to 'trade' the holdings during the lifetime of the fund. However, the Group Trustees may transfer the interest to another party with the approval of the general partner. The transfer would typically be arranged via a competitive auction process with the interest being transferred to the investor(s) with the highest bid. Although there have been precedent competitive auctions for infrastructure assets where a sale price close to or even above the current valuation has been achieved, there is no guarantee that the Group will be able transfer its limited partner interests or achieve an attractive sale price at auction.

Investment movements – Cavendish Nuclear Section

	Value at 01.04.2018 £ million	Purchases at cost £ million	Sales proceeds £ million	Change in market value £ million	**Value at 31.03.2019 £ million**
Pooled investment vehicles	70.6	20.4	(19.5)	4.2	**75.7**
AVC investments	0.5	0.1	-	0.1	**0.7**
	71.1	20.5	(19.5)	4.3	**76.4**
Cash deposits	0.7				**0.5**
Net investment assets	71.8				**76.9**

Transaction costs incurred during the year amounted to £nil (*2018: £nil*). Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

Investment movements – Atkins Section

	Value at 01.04.2018 £ million	Purchases at cost and derivative payments £ million	Sales proceeds and derivative receipts £ million	Change in market value £ million	**Value at 31.03.2019 £ million**
Pooled investment vehicles	69.2	4.3	(4.3)	2.2	**71.4**
AVC investments	1.1	-	(0.6)	(0.1)	**0.4**
	70.3	4.3	(4.9)	2.1	**71.8**
Cash deposits	0.4				**0.4**
Net investment assets	70.7				**72.2**

Transaction costs incurred during the year amounted to £nil (*2018: £nil*). Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

Investment movements – NNL Section

	Value at 01.04.2018 £ million	Purchases at cost £ million	Sales proceeds £ million	Change in market value £ million	**Value at 31.03.2019 £ million**
Equities	0.6	0.4	(0.4)	-	**0.6**
Bonds	0.7	0.5	(0.6)	0.1	**0.7**
Pooled investment vehicles	8.3	0.2	(0.1)	0.3	**8.7**
AVC investments	0.1	-	-	-	**0.1**
	9.7	1.1	(1.1)	0.4	**10.1**
Cash deposits	0.5				**0.5**
Net investment assets	10.2				**10.6**

Transaction costs incurred during the year amounted to £nil (*2018: £nil*). Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Group Trustees to quantify such indirect transaction costs.

The NNL Section held derivative assets at the year-end as detailed in Note 15, however the closing value as well as the values of movements in the year rounded to less than £0.1 million and therefore are not shown in the table above.

12. Investment management expenses

Investment management expenses for Group-specific funds, performance measurement services and investment-related fees of Group advisers, are the responsibility of the Group Trustees. The Scheme Trustee negotiates the custody fees which apply to all portfolios. Investment management and custody fees for Group-specific funds are shown below.

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Administration and management fees	2.5	-	-	-	**2.5**
Other advisory fees	1.3	-	-	-	**1.3**
	3.8	-	-	-	**3.8**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Administration and management fees	*2.0*	-	*0.1*	-	***2.1***
Other advisory fees	*0.6*	-	-	-	***0.6***
	2.6	-	*0.1*	-	***2.7***

13. Taxation

The ESPS is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

14. Pooled investment vehicles

The **SLC Section's** investment in pooled investment vehicles at the year-end comprised:

	2019	*2018*
	£ million	*£ million*
Equities	**165.9**	*292.9*
Bonds	**563.8**	*480.0*
Property	**129.8**	*116.8*
Hedge funds	**92.4**	*95.8*
Diversified growth funds	**110.2**	*110.7*
Private equity	**21.9**	-
Infrastructure funds	**172.8**	*148.0*
Liability driven investments	**1,413.0**	*1,344.7*
Cash and other liquid assets	**191.4**	*183.9*
	2,861.2	*2,772.8*

At 31 March 2019 and 31 March 2018 the Section held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in pooled investment vehicles and is specifically tailored for the Section's individual requirements and there are no other investors.

The LDI portfolio has the following investments:

	2019	*2018*
	£ million	*£ million*
Bonds	**1,585.2**	*1,910.8*
Swaps – net	**(5.8)**	*(54.5)*
Repurchase agreements	**(300.3)**	*(673.2)*
Cash and other liquid assets	**133.9**	*161.6*
	1,413.0	*1,344.7*

The **Cavendish Nuclear Section's** investment in pooled investment vehicles at the year-end comprised:

	2019 £ million	2018 £ million
Equities	8.7	7.6
Bonds	7.4	7.4
Fund of hedge funds	3.4	3.5
Diversified growth funds	4.2	4.2
Liability driven investments	52.0	47.9
	75.7	70.6

At 31 March 2019 and 31 March 2018 the Section held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in pooled investment vehicles and is specifically tailored for the Section's individual requirements and there are no other investors.

The LDI portfolio has the following investments:

	2019 £ million	2018 £ million
Bonds	52.0	44.6
Swaps – net	-	2.5
Cash and other liquid assets	-	0.8
	52.0	47.9

The **Atkins Section's** investment in pooled investment vehicles at the year-end comprised:

	2019 £ million	2018 £ million
Liability driven investments	71.4	69.2

At 31 March 2019 and 31 March 2018 the Section held a bespoke Liability Driven Investment (LDI) portfolio. The portfolio has been included above in pooled investment vehicles and is specifically tailored for the Section's individual requirements and there are no other investors.

The LDI portfolio has the following investments:

	2019 £ million	2018 £ million
Bonds	71.4	69.2

The **NNL Section's** investment in pooled investment vehicles at the year-end comprised:

	2019 £ million	2018 £ million
Equities	0.3	0.3
Bonds	6.3	6.0
Diversified growth funds	1.9	1.9
Cash and other liquid assets	0.2	0.1
	8.7	8.3

15. Derivatives

Objectives and Policies

The Group Trustees have authorised the use of derivative financial instruments by their investment managers as part of their investment strategy as follows:

For the **SLC Section**, outstanding derivative financial instruments at 31 March 2019 and 31 March 2018 are summarised as follows:

	2019 Assets £ million	**2019 Liabilities £ million**	**2019 Total £ million**	*2018 Assets £ million*	*2018 Liabilities £ million*	*2018 Total £ million*
Over-the-counter contracts						
Forward foreign currency	**0.1**	**(0.3)**	**(0.2)**	*0.1*	*-*	*0.1*

Further analysis of the holdings at 31 March 2019 is as follows:

Forward foreign currency contracts – SLC Section

Type of contract	Currency	Currency Bought £ million	Currency	Currency Sold £ million	**2019 Assets £ million**	**2019 Liabilities £ million**
OTC traded – less than 1 month	GBP	2.5	JPY	(2.5)	**-**	**-**
OTC traded – less than 1 month	USD	6.1	GBP	(6.0)	**0.1**	**-**
OTC traded – less than 1 month	GBP	44.7	USD	(45.0)	**-**	**(0.3)**
		53.3		(53.5)	**0.1**	**(0.3)**

For the **NNL Section**, outstanding derivative financial instruments at 31 March 2019 and 31 March 2018 are summarised as follows:

	2019 Assets £ million	**2019 Liabilities £ million**	**2019 Total £ million**	*2018 Assets £ million*	*2018 Liabilities £ million*	*2018 Total £ million*
Over-the-counter contracts						
Forward foreign currency	-	-	-	*-*	*-*	*-*

Further analysis of the holdings at 31 March 2019 is as follows:

Forward foreign currency contracts – NNL Section

Type of contract	Currency	Currency Bought £ million	Currency	Currency Sold £ million	**2019 Assets £ million**	**2019 Liabilities £ million**
OTC traded – less than 1 month	GBP	-	JPY	-	-	-
OTC traded – less than 1 month	USD	0.1	GBP	(0.1)	-	-
OTC traded – less than 1 month	GBP	0.6	USD	(0.6)	-	-
		0.7		(0.7)	-	-

16. AVC investments

The number of AVC accounts (including "frozen" accounts) for the **SLC Section** as at 31 March 2019 was 452 (*2018: 475*). In some cases members may have two or more accounts.

The aggregate values are as follows:

	2019	*2018*
	£ million	*£ million*
Equitable Life Assurance Society	**0.1**	*0.2*
Prudential Assurance Society	**15.4**	*16.7*
	15.5	*16.9*

The number of AVC accounts (including "frozen" accounts) for the **Cavendish Nuclear Section** as at 31 March 2019 was 14 (*2018: 8*). In some cases members may have two or more accounts.

The aggregate values are as follows:

	2019	*2018*
	£ million	*£ million*
Prudential Assurance Society	**0.7**	*0.5*
	0.7	*0.5*

The number of AVC accounts (including "frozen" accounts) for the **Atkins Section** as at 31 March 2018 was 3 (*2018: 4*). In some cases members may have two or more accounts.

The aggregate values are as follows:

	2019	*2018*
	£ million	*£ million*
Prudential Assurance Society	**0.4**	*1.1*
	0.4	*1.1*

The number of AVC accounts (including "frozen" accounts) for the **NNL Section** as at 31 March 2018 was 2 (*2018: 2*). In some cases members may have two or more accounts.

The aggregate values are as follows:

	2019	*2018*
	£ million	*£ million*
Prudential Assurance Society	**0.1**	*0.1*
	0.1	*0.1*

17. Cash and other net investment balances

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Cash – sterling	72.6	0.5	0.4	0.5	**74.0**
Accrued interest and dividends	1.8	-	-	-	**1.8**
Recoverable income tax	0.2	-	-	-	**0.2**
Rebates receivable	0.1	-	-	-	**0.1**
Amounts receivable from sale of investments	7.9	-	-	0.1	**8.0**
Other creditors	(0.8)	-	-	-	**(0.8)**
Amounts payable for purchase of investments	(6.5)	-	-	(0.1)	**(6.6)**
	75.3	0.5	0.4	0.5	**76.7**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Cash – sterling	*63.3*	*0.7*	*0.4*	*0.5*	***64.9***
Accrued interest and dividends	*0.7*	-	-	-	***0.7***
Recoverable income tax	*0.1*	-	-	-	***0.1***
Rebates receivable	-	-	-	-	**-**
Amounts receivable from sale of investments	*23.7*	-	-	-	***23.7***
Other creditors	*(0.7)*	-	-	-	***(0.7)***
Amounts payable for purchase of investments	*(0.3)*	-	-	-	***(0.3)***
	86.8	*0.7*	*0.4*	*0.5*	***88.4***

18. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
- Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3: Inputs are unobservable.

Where multiple inputs are involved in determining the fair value of an instrument, the categorisation is based on the lowest level input (i.e. highest number) that is significant.

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Group Trustees. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 March 2019 or 31 March 2018.

The **SLC Section's** investment assets and liabilities have been included at fair value within the categories as follows:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	**2019 Total** **£ million**
Investment assets				
Equities	103.7	-	-	**103.7**
Bonds	55.7	-	-	**55.7**
Property loan assets	-	-	125.2	**125.2**
Pooled investment vehicles	-	2,444.3	416.9	**2,861.2**
Derivatives	-	0.1	-	**0.1**
AVC investments	-	15.5	-	**15.5**
Cash	72.6	-	-	**72.6**
Other investment balances	10.0	-	-	**10.0**
Investment liabilities				
Derivatives	-	(0.3)	-	**(0.3)**
Other investment balances	(7.3)	-	-	**(7.3)**
	234.7	2,459.6	542.1	**3,236.4**

Analysis for the prior year end is as follows:

	Level 1 *£ million*	*Level 2* *£ million*	*Level 3* *£ million*	***2018 Total*** ***£ million***
Investment assets				
Equities	*119.2*	-	-	***119.2***
Bonds	*53.9*	-	-	***53.9***
Property loan assets	-	-	*114.9*	***114.9***
Pooled investment vehicles	-	*2,414.7*	*358.8*	***2,772.8***
Derivatives	-	*0.1*	-	***0.1***
AVC investments	-	*16.9*	-	***16.9***
Cash	*63.3*	-	-	***63.3***
Other investment balances	*24.5*	-	-	***24.5***
Investment liabilities				
Derivatives	-	-	-	-
Other investment balances	*(1.0)*	-	-	***(1.0)***
	259.9	*2,431.7*	*473.7*	***3,164.6***

The **Cavendish Nuclear Section's** investment assets and liabilities have been included at fair value within the categories as follows:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	**2019 Total £ million**
Investment assets				
Pooled investment vehicles	-	72.3	3.4	**75.7**
AVC investments	-	0.7	-	**0.7**
Cash	0.5	-	-	**0.5**
	0.5	73.0	3.4	**76.9**

Analysis for the prior year end is as follows:

	Level 1 £ million	*Level 2 £ million*	*Level 3 £ million*	***2018 Total £ million***
Investment assets				
Pooled investment vehicles	-	*67.2*	*3.4*	***70.6***
AVC investments	-	*0.5*	-	***0.5***
Cash	*0.7*	-	-	***0.7***
	0.7	*67.7*	*3.4*	***71.8***

The **Atkins Section's** investment assets and liabilities have been included at fair value within the categories as follows:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	**2019 Total £ million**
Investment assets				
Pooled investment vehicles	-	71.4	-	**71.4**
AVC investments	-	0.4	-	**0.4**
Cash	0.4	-	-	**0.4**
	0.4	71.8	-	**72.2**

Analysis for the prior year end is as follows:

	Level 1 £ million	*Level 2 £ million*	*Level 3 £ million*	***2018 Total £ million***
Investment assets				
Pooled investment vehicles	-	*69.2*	-	***69.2***
AVC investments	-	*1.1*	-	***1.1***
Cash	*0.4*	-	-	***0.4***
	0.4	*70.3*	-	***70.7***

The **NNL Section's** investment assets and liabilities have been included at fair value within the categories as follows:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	**2019 Total £ million**
Investment assets				
Equities	0.6	-	-	**0.6**
Bonds	0.7	-	-	**0.7**
Pooled investment vehicles	0.1	8.6	-	**8.7**
AVC investments	-	0.1	-	**0.1**
Cash	0.5	-	-	**0.5**
Other investment balances	0.1	-	-	**0.1**
Investment liabilities				
Other investment balances	(0.1)	-	-	**(0.1)**
	1.9	8.7	-	**10.6**

Analysis for the prior year end is as follows:

	Level 1 £ million	*Level 2 £ million*	*Level 3 £ million*	***2018 Total £ million***
Investment assets				
Equities	*0.6*	-	-	***0.6***
Bonds	*0.7*	-	-	***0.7***
Pooled investment vehicles	-	*8.3*	-	***8.3***
AVC investments	-	*0.1*	-	***0.1***
Cash	*0.5*	-	-	***0.5***
	1.8	*8.4*	-	***10.2***

19. Investment risks

Financial Reporting Standards (FRS) 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this is the risk that the fair value of future cashflows of a financial investment will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk as follows:
  - Currency risk: this is risk that fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
  - Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates; and
  - Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group Trustees determine the investment strategy of each Section after taking advice from a professional investment adviser. The Group has exposure to these risks because of the investments it makes in following the investment strategies set out on the following page. The Group Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which take into account each of the Sections' strategic investment objectives. The investment objectives and risk limits of each Section are implemented through the investment agreements in place with the investment managers and monitored by the Group Trustees by regular reviews of the investment portfolio.

Further information on the Group Trustees' approach to risk management, credit and market risk is later in this section of the accounts. This section of the accounts does not include the legacy insurance policies or AVC investments as these are not considered significant to the overall investments of the Group.

The following table summarises the extent to which the Group's various classes of investments are affected by financial risk (based on 31 March 2019 asset position):

	Credit risk	Market risk			**2019**	*2018*
		Currency	Interest rate	Other price	**£million**	*£million*
Equities	○	◐	○	●	**104.3**	*119.8*
Bonds	●	◐	●	◐	**56.4**	*54.6*
Pooled investment vehicles	●	◐	◐	●	**3,017.0**	*2,920.9*
Property loan assets	●	○	◐	●	**125.2**	*114.9*
Other investment types	●	○	●	○	**93.2**	*107.1*
Total					**3,396.1**	*3,317.3*

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/not at all.

Investment Strategies

The Group Trustees aim to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due.

The Group Trustees set Section specific investment strategies taking into account considerations such as the strength of the Employer covenant, the long term liabilities and the funding agreed with the Employer. The investment strategy of each Section is set out in a Statement of Investment Principles (SIP).

A broad summary of the investment strategy of each Section as at 31 March 2019 is below:

SLC Section

The strategy aims to protect against certain levels of risk and still provide additional returns to reduce the overall cost of pension provision. The current hedge ratios are 75% of liability interest rate risk and 79% of liability inflation risk (on a gilts +0.5% basis). The Section holds sufficient investments that move in line with the long term liabilities to maintain the target hedge ratios. The investments are referred to as LDI and comprise UK government bonds, interest rate swaps, inflation swaps and repurchase agreements, the purpose of which is to hedge against the impact interest rates and inflation have on the movement on long term liabilities.

The remainder of the assets are invested to provide an expected return above the liabilities over the long term, as well as in some instances provide matching characteristics. As at 31 March 2019 the return seeking assets accounted for 54.2% of the overall portfolio.

Cavendish Nuclear Section

The strategy aims to protect against certain levels of risk and still provide additional returns to reduce the overall cost of pension provision. The current hedge ratios are 100% of liability interest rate risk and 100% of liability inflation risk (on a gilts +0.5% basis). The Section holds sufficient investments that move in line with the long term liabilities to maintain these target hedge ratios. The investments are referred to as LDI and comprise UK government and corporate bonds, inflation swaps and repurchase agreements, the purpose of which is to hedge against the impact interest rates and inflation have on the movement on long term liabilities.

The remainder of the assets are invested to provide an expected return above the liabilities over the long term. As at 31 March 2019 these return seeking assets accounted for 31.1% of the overall portfolio.

Atkins Section

The assets are entirely held in investments that move in line with the long term liabilities of the Section. This is referred to as LDI and comprises UK government bonds and repurchase agreements, the purpose of which is to hedge against the impact interest rates and inflation have on the movement on long term liabilities. The current hedge ratios are 100% of liability interest rate risk and 100% of liability inflation risk (on a gilts +0% basis).

National Nuclear Laboratory Section

The strategy aims to invest 60% of the assets in bond funds that move broadly in line with the long term liabilities of the Section. The bond funds held are selected in order to give a broad inflation and duration match to the liabilities. The remaining 40% is held in return seeking investments comprising diversified growth fund managers Ruffer and Schroders.

Credit Risk

The Group is subject to credit risk because the Group directly invests in bonds and has cash balances. The Group also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles. The Group is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Although the Group's mandate with Ruffer enables sub-investment grade bonds to be held, there is currently no direct allocation to these. The Group Trustees consider financial instruments or counterparties to be of investment grade if they are rated BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Credit risk arising from derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Group is subject to risk of failure of the counterparty. This risk is mitigated by the arrangements both the Group and its counterparties have in place where collateral is posted to reduce the impact of any counterparty defaulting on their obligations under the derivative contracts held. The Group's LDI manager, BMO, has an explicit mandate outlining the permitted instruments and maximum exposure to any single counterparty. Furthermore, BMO only trade with counterparties that have been approved by its Counterparty Credit Committee.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of the investments amongst a number of pooled arrangements. The Group Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. A summary of pooled investment vehicles by type of arrangement is as follows:

Type of arrangement	**2019** **£000**	*2018* *£000*
Unit-linked insurance contracts	**127.5**	*250.7*
Authorised unit trusts	**116.3**	*116.8*
Open-ended investment companies	**683.3**	*670.5*
Shares of limited liability partnerships	**183.2**	*147.9*
Other*	**1,906.7**	*1,735.0*
Total	**3,017.0**	*2,920.9*

*The managers holding funds classed as others are listed below along with the type of arrangement:

- Genesis – Closed-end fund
- M&G – Irish Common Contractual Fund
- BMO - Luxembourg domiciled mutual investment umbrella fund
- Insight – Umbrella Irish collective asset-management vehicle

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles such as credit, derivatives and repos. The Group Trustees mainly invest in government and investment grade credit but the Group's mandates with PIMCO, Barings, DRC, GAM, GreenOak, Longbow and BlueBay enable sub-investment grade or unrated exposure. These risks are mitigated by the Group through having explicit mandates with investment managers outlining the permitted investment instruments restricting the exposure to higher risk investments or any single counterparty and specifying the minimum permitted creditworthiness of counterparties.

Currency Risk

The Group is subject to currency risk because some of the Group's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure).

The Group Trustees consider currency risk as part of the overall determination of the investment strategy, therefore no further mitigation is deemed necessary.

Interest Rate Risk

The Group is subject to interest rate risk because some of the Group's investments are held in bonds and interest rate swaps (either as segregated investments or through pooled investment vehicles), and cash. The Group Trustees have set specific target benchmarks for each Section in relation to the total investment in bonds and interest rate swaps in order to mitigate the interest rate risk relative to the liabilities. For each Section, with the exception of the NNL Section, the target benchmark is defined as part of their LDI investment strategy in terms of the amount of liability interest rate and inflation risk hedged.

Under an LDI strategy, if gilt yields fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if gilt yields rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The LDI assets as at 31 March 2019 targeted the same exposure to interest rates as:

- SLC Section: 75% of the liabilities (measured on a gilts +0.5% p.a. basis)
- Cavendish Nuclear Section: 100% of the liabilities (measured on a gilts +0.5% p.a. basis)
- Atkins Section: 100% of the liabilities (measured on a gilts +0% p.a. basis)

For the NNL Section, the target benchmark is defined as a selection of bonds that provide a broad inflation and duration match to the liabilities.

Other Price Risk

Other price risk arises principally in relation to supply and demand in the market place and risks specific to each particular asset class (such as changes in level of inflation for LDI). The Group Trustees manage this exposure to overall price risk for each Section by constructing a diverse portfolio of investments across various markets. The Group has target asset allocations for each Section in accordance with the investment strategies outlined earlier in the report.

20. Concentration of investments

Investments exceeding 5% of the value of the **SLC Section's** net assets as at 31 March 2019 or 31 March 2018 are detailed below:

Investment	**Value at 31.03.19 £ million**	**%**	*Value at 31.03.18 £ million*	*%*
BMO LDI Private Sub Fund	**1,413.0**	**43.6**	*1,344.7*	*42.4*
M&G Inflation Opportunities III Fund	**238.8**	**7.4**	*204.4*	*6.4*
PIMCO Global Diversified Income Fund	**224.8**	**6.9**	*224.3*	*7.1*

Barings Global Loan Fund	**181.3**	**5.6**	*184.8*	*5.8*

Investments exceeding 5% of the value of the **Cavendish Nuclear Section's** net assets as at 31 March 2019 or 31 March 2018 are detailed below:

Investment	**Value at 31.03.19 £ million**	**%**	*Value at 31.03.18 £ million*	*%*
BMO Regular Profile Unleveraged Real Gilt Fund	**26.8**	**34.8**	*27.9*	*38.8*
BMO Regular Profile Leveraged Real Gilt Fund	**15.8**	**20.6**	*9.9*	*13.8*
CF Lindsell Train UK Equity	**8.7**	**11.2**	*7.7*	*10.6*
PIMCO Global Libor Plus Fund	**7.5**	**9.7**	-	-
BMO Regular Profile Unleveraged Nominal Gilt Fund	**4.9**	**6.4**	-	-
BMO Leveraged Mar 2068 Index-Linked Gilt sub-fund	**4.4**	**5.7**	*4.1*	*5.7*
Schroder Life Diversified Growth Fund	**4.2**	**5.4**	*4.2*	*5.8*
PIMCO UK Long Term Corporate Bond Fund	-	-	*7.4*	*10.3*

Investments exceeding 5% of the value of the **Atkins Section's** net assets as at 31 March 2019 or 31 March 2018 are detailed below:

Investment	**Value at 31.03.19 £ million**	**%**	*Value at 31.03.18 £ million*	*%*
BMO Regular Profile Unleveraged Real Gilt Fund	**66.6**	**92.3**	*64.0*	*88.7*
BMO Regular Profile Unleveraged Nominal Gilt Fund	**4.7**	**6.6**	*5.2*	*7.2*

Investments exceeding 5% of the value of the **NNL Section's** net assets as at 31 March 2019 or 31 March 2018 are detailed below:

Investment	**Value at 31.03.19 £ million**	**%**	*Value at 31.03.18 £ million*	*%*
L&G Over 5 Years Index-Linked Gilts Index	**4.9**	**45.8**	*4.7*	*45.6*
Schroder Life Diversified Growth Fund	**1.9**	**17.6**	*1.9*	*18.6*
PIMCO UK Long Term Corporate Bond Fund	**1.4**	**13.0**	*1.3*	*13.0*

21. Employer related investments

The Investment Regulations limits employer related investments by occupational pension schemes. These investments include shares, loan stocks, debentures and other securities issued by the employers participating in the scheme and their associated companies, together with loans made to the employers, and any properties or land owned by the scheme and occupied by the employers.

The Regulations apply separately to each Group within the Electricity Supply Pension Scheme, by reference to the investments of the Group Trustees in the Employers participating in their Group and their associated companies, and provide that such employer-related investments must not exceed 5% of the market value of the Group's assets.

As at 31 March 2019 and 31 March 2018 the Magnox Electric Group of the Electricity Supply Pension Scheme had minimal exposure to the Principal Employer (Magnox Limited) and the Participating Employers (Cavendish Nuclear Limited, Atkins Limited and National Nuclear Laboratory Limited), as well as their associated companies, and was well within the 5% limit prescribed by the Regulations. The Group Trustees review the exposure to the Principal Employer and the Participating Employers, as well as their associated companies, on an annual basis and take into consideration the 5% limit when setting the investment strategy.

22. Current assets

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Contributions due in respect of:					
Employers	2.4	-	-	-	**2.4**
Investment income	0.1	-	-	-	**0.1**
Cash balances	1.3	0.2	0.6	0.2	**2.3**
	3.8	0.2	0.6	0.2	**4.8**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Contributions due in respect of:					
Employers	*3.4*	-	-	-	***3.4***
Investment income	-	-	-	-	-
Cash balances	*4.9*	*0.2*	*0.1*	-	***5.2***
	8.3	*0.2*	*0.1*	-	***8.6***

All contributions due to the Group at 31 March 2019 and 31 March 2018 relate to March 2019 and March 2018 respectively and were subsequently paid in full to the Group in accordance with the Schedule of Contributions.

23. Current liabilities

	SLC Section 2019 £ million	CN Section 2019 £ million	Atkins Section 2019 £ million	NNL Section 2019 £ million	**Total 2019 £ million**
Benefits payable	(1.0)	-	-	-	**(1.0)**
Transfers to other plans	(0.2)	-	(0.6)	-	**(0.8)**
	(1.2)	-	(0.6)	-	**(1.8)**

	SLC Section 2018 £ million	*CN Section 2018 £ million*	*Atkins Section 2018 £ million*	*NNL Section 2018 £ million*	***Total 2018 £ million***
Benefits payable	*(1.1)*	-	-	-	***(1.1)***
Transfers to other plans	-	-	*(0.1)*	-	***(0.1)***
	(1.1)	-	*(0.1)*	-	***(1.2)***

24. Related party transactions

Related party transactions and balances comprise:

Contributions and contributions receivable in respect of two Group Trustees and pensions paid in respect of four Group Trustees.

All administrative expenses of the Group incurred during the year to 31 March 2018, and not directly related to the management of the investment portfolios, were paid by the Employers.

Fees of £119,144.26 (*2018: £138,641.35)* were paid to certain Group Trustees in the year.

25. Contingencies and commitments

In the opinion of the Group Trustees the Group had no contingent liabilities or contractual commitments entered into which are not provided for in these financial statements.

The Group has £360 million of funds committed to four investment managers - Longbow Real Estate Capital LLP, GAM International Management Limited, GreenOak Real Estate Advisors LLP and DRC Capital LLP. As at 31 March 2019, approximately £141.2 million (*2018: £58.2 million*) is yet to be drawn down and represents a capital commitment at that date.

26. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

Appendix 1 – Analysis of Membership Statistics by Section

Site Licence Company Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2018	**1,342**	**5,543**	**1,355**	**1,269**	**9,509**
Adjustments to opening balance	-	(1)	-	-	(1)
Sub Total	**1,342**	**5,542**	**1,355**	**1,269**	**9,508**
Increases					
Contributors/pensioners/dependants/ deferred pensioners	-	126	97	42	265
Pensions sharing orders and new EPB pensioners in payment	-	-	-	2	2
Sub Total	**-**	**126**	**97**	**44**	**267**
Reductions					
Contributors / deferred pensioners retiring	(49)	-	-	(77)	(126)
Deaths	-	(163)	(79)	(3)	(245)
Leavers with deferred pensions	(42)	-	-	-	(42)
Leavers with refunds of contributions/ transfers to other schemes/cessation of child allowances	-	-	-	(59)	(59)
Sub Total	**(91)**	**(163)**	**(79)**	**(139)**	**(472)**
At 31 March 2019	**1,251**	**5,505**	**1,373**	**1,174**	**9,303**

Cavendish Nuclear Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2018	**55**	**32**	**1**	**42**	**130**
Increases					
Contributors/pensioners/dependants/ deferred pensioners	-	1	-	-	1
Sub Total	**-**	**1**	**-**	**-**	**1**
Reductions					
Contributors / deferred pensioners retiring	-	-	-	(1)	(1)
Leavers with refunds of contributions/ transfers to other schemes/cessation of child allowances	-	-	-	(1)	(1)
Sub Total	**-**	**-**	**-**	**(2)**	**(2)**
At 31 March 2019	**55**	**33**	**1**	**40**	**129**

Atkins Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2018	**3**	**22**	**-**	**23**	**48**
Increases					
Contributors/pensioners/dependants/ deferred pensioners	-	1	-	-	1
Sub Total	**-**	**1**	-	**-**	**1**
Reductions					
Contributors / deferred pensioners retiring	-	-	-	(1)	(1)
Leavers with refunds of contributions/ transfers to other schemes/cessation of child allowances	-	-	-	(2)	(2)
Sub Total					
At 31 March 2019	**3**	**23**	**-**	**20**	**46**

National Nuclear Laboratories Section

	Contributors	Pensioners	Dependants	Deferred pensioners	Total
At 1 April 2018	**5**	**5**	**1**	**2**	**13**
Movement in year	-	-	-	-	-
At 31 March 2019	**5**	**5**	**1**	**2**	**13**

Appendix 2 – Glossary of Terms

Listed below are brief explanations of terms used within the Report & Financial Statements that may not be familiar to all members.

Pension glossary	
Bulk transfers	The transfer of a number of members from one occupational pension scheme to another or from one Group of the ESPS to another. Generally this will occur if there has been a merger, sale or purchase of a business and the new Employer wishes to amalgamate pension arrangements.
Commutation	The exchange of expected pension benefits for a cash lump sum.
Deficit repair payments	A single payment or a series of payments made by the Employer in order to make good the actuarial shortfall caused by projected pension liabilities being in excess of assets.
Discontinuance funding ratio	This shows the Actuary's estimate of the proportion which the value of the Group's assets represent of the costs of buying out the accrued benefits with an insurance company.
Money Purchase basis	The calculation of an individual member's benefits by reference to the value of the contributions paid into a pension scheme in respect of that member.
Rule 32 Payment	The payment of special contributions (whether in relation to benefits, contributions or otherwise) by the [Principal] Employer, without limitation, in respect of Back Service Credits and/or Added Years to or in respect of one or more individuals (excluding Enhanced Protection Members).
State Second Pension	Additional pension benefits purchased through National Insurance Contributions to enhance the Basic State Pension by those people not "Contracted Out" through membership of a private or company pension scheme. This was formerly known as the State Earnings Related Pension Scheme (SERPS) and was re-named from 6 April 2002.
State Graduated Pension Scheme	The State Graduated Pension Scheme which commenced on 3 April 1961 and terminated on 5 April 1975 being replaced by SERPS.
Supplementary pensions funding	Contributions made by Employers or members to provide additional or "top-up" pension benefits.
Transfer Values received	Transfers of monies from another pension scheme, so that a member can augment their pension benefits from the ESPS.

Investment glossary	
Derivative	A derivative is a financial contract between two parties whose value is derived from an underlying asset's price or an index based on asset prices. Underlying assets are typically equities, bonds, interest rates, exchange rates and stock market indices. The main types of derivatives used by pension schemes are: - futures contracts - forward foreign exchange contracts - options - swaps A derivative can be exchange traded or traded over the counter ("OTC").
Exchange traded	An exchange traded security is purchased or sold through a registered exchange (e.g. a stock exchange) which provides trading facilities.
Forward foreign currency contract (FFX)	A forward foreign exchange contract is an over the counter transaction whereby two parties agree to exchange two different currencies at an agreed rate of exchange on a specific date in the future.
Futures Contract	A contract which legally binds two parties to complete a sale or purchase of an asset at a specified future date and at a price which is fixed at the time the contract is agreed.
Initial Margin	Before entering into a futures contract, a deposit is required which is referred to as the initial margin. This deposit may be in the form of cash or other assets, such as securities. The margin is required to protect parties against possible losses arising from the futures contract.
IPD	Investment Property Databank is an independent organisation that collates and publishes information about performance of the commercial property sector. The IPD provides a benchmark against which the performance of property assets can be monitored.
LIBID	London Inter-Bank Bid Rate. This is the rate of interest at which banks are willing to pay to borrow from each other for a specified period – normally one day. The rate fluctuates dependent on the supply and demand of funds.
Managed Funds	A managed fund is an investment contract which offers participation in one or more funds operated on similar lines to unit trusts. The range of managed funds available includes gilts, index-linked securities, equities, cash deposits, property and mixed funds. Typically managed funds relate only to a unitised fund under a policy of assurance from a life assurance company.
Options	An option is a contract which give the purchaser the right, but not the obligation, to buy (call option) or sell (put option) a standard specified nominal amount of an asset at a specific date or range of dates in the future at a specified price. Options may be

	exchange traded or OTC.

Over the counter (OTC)	An over the counter (OTC) security is traded between two individual counterparties rather than on an exchange. There is no standardisation of contract specifications so the size of the contact, the settlement date and price are all negotiable.
Pooled investment vehicles	A fund in which several investors participate. The assets are not held directly in the name of individual clients but form part of a "pool". Unit trusts are a common example of a pooled investment vehicle. Investors hold units in the pooled fund. The value of individual units is determined by the value of the underlying assets of the fund.
Segregated Funds	In the ESPS, investment portfolios which are specific to a particular Group and may be comprised of individual securities or take the form of a pooled investment vehicle.
Stock lending	The temporary transfer of securities by a lender to a borrower, with an agreement that the borrower will return equivalent securities to the lender either on a pre-agreed future date or on demand. In return the lender receives a fee for making the securities available to the borrower.
Swaps	A swap is an OTC transaction whereby the parties to the contract agree to exchange cash flows according to the terms agreed at the outset of the swap. The amount of the cash flows is generally determined by reference to an underlying asset, index, instrument or notional amount.
Unitised Fund	The Unitised Fund is a pooled investment vehicle that is only available to Groups within the ESPS and comprises three Sectors: UK Property, UK Forestry and Cash.
Variation Margin	Amounts payable under futures contracts - to ensure that deposits/(margins) are maintained at contractually agreed levels as the value of the underlying asset changes.

Appendix 3 – Advisers and Service Providers

Group Actuary Chris Vaughan-Williams FIA of Aon Hewitt Limited	Carries out valuations and other funding updates of the Group as required by the Scheme Rules and Statute, provides all tables and factors for the application of Scheme Rules and options, and advises on all matters relating to pension funding.
Independent Group Auditor PricewaterhouseCoopers LLP	Reports on the audit of the Group Financial Statements.
Scheme Custodian The Bank of New York Mellon	Maintains safe custody of the Scheme's assets.
Investment Adviser Ruth Williams of Aon Hewitt Limited	Advises the Group Trustees on all investment matters including the Statement of Investment Principles.
Legal Adviser Mark Greenlees of Sacker and Partners LLP	Advises on legislative requirements and application of the provisions of the Group in particular circumstances.
Performance Measurer Ruth Williams of Aon Hewitt Limited	Provides the Group Trustees with a measurement service for their investments relative to the strategic benchmark and on the performance of the investment managers.

Benefits Administration and Accounting
RPMI (formerly RPMI EPAL)
2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Tel: 02476 472582

Group Administrator
Rachel Hewlett
Magnox Ltd
Oldbury Technical Centre
Oldbury Naite
South Gloucestershire
BS35 1RQ

Tel: 01454 422608

Group Appointed Fund Managers
Barings Global Investment Funds plc (formerly Babson Capital)
BlackRock Investment Management (UK) Limited
BlueBay Asset Management LLP
BMO Global Asset Management (formerly F&C Investment Management)
CBRE Global Investors (UK) Limited
DRC Capital LLP
Genesis Asset Managers
GreenOak Real Estate Advisors LLP
Hayfin Capital Management LLP
Industry Funds Management ("IFM")
Infrared Capital Partners
Innisfree Ltd
Insight Investment Management Limited
Invesco Asset Management
JP Morgan Asset Management Ltd
Legal & General Investment Management Limited
Lindsell Train Ltd
Longbow Real Estate Capital LLP
M&G Asset Management
PIMCO Europe Ltd
GAM International Management Limited (formerly Renshaw Bay LLP)
Ruffer LLP
Schroder Investment Management Limited

Additional Voluntary Contributions (AVCs) Providers
Phoenix Life Assurance Limited
Equitable Life Assurance Society Limited
The Prudential Assurance Company Limited

Appendix 4 – Names and Addresses of External Bodies

The Pensions Advisory Service

The Pensions Advisory Service is available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes. The Pensions Advisory Service may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustees under the second stage of the procedure.

The Pensions Advisory Service can be contacted at 11 Belgrave Road, London SW1V 1RB.

Telephone: 0800 011 3797

Website for online contact: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pension Ombudsman is available to help members and beneficiaries of occupational pension schemes resolve any difficulties they may have encountered and which they have failed to resolve with the trustees or administrators of schemes. The Pension Ombudsman may be contacted either while a complaint is being reviewed under the dispute resolution procedure or if the complainant is not satisfied with the response received from the Group Trustees under the second stage of the procedure. The Ombudsman can investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The services of the Ombudsman are available to the members, beneficiaries and prospective members of pension schemes.

The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, E14 4PU.

Telephone: 0800 917 4487

E-mail: helpline@pensions-ombudsman.org.uk (early resolution)
E-mail: enquiries@pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator has statutory objectives to protect members' benefits, to reduce risk of calls on the Pension Protection fund (PPF), to promote good administration, to maximise employers' compliance with their new duties in relation to automatic enrolment and to minimise any adverse impact on sustainable growth of an employer when exercising its functions under the Scheme Funding Legislation.

The Pensions Regulator can be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW.

Telephone: 0345 600 0760

E-mail: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Department for Work and Pensions (DWP) Pension Tracing Service

The purpose of the DWP's Pension Tracing Service is to provide a tracing service for ex-members of schemes and their dependants with pension entitlements who have lost touch with earlier employers and their schemes. The ESPS is registered with the DWP under Scheme reference number 10200656.

The Pension Tracing Service can be contacted at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193
From outside the UK: +44 (0)191 215 4491

Website: www.gov.uk/find-pension-contact-details

Pension Wise

Pension Wise is a new Government service that offers individuals tailored guidance, online, over the telephone or face to face:

- to explain what options are available and how to make the best use of pension savings;
- information on the tax implications of the different options and other important considerations; and
- tips on getting the best deal, including how to shop around.

Website: www.pensionwise.gov.uk

The Pension Protection Fund

The Pension Protection Fund was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund can be contacted at: PPF Member Services, P.O. Box 254, Wymondham, NR18 8DN

Telephone: 0330 123 222

Email: ppfmembers@ppf.gsi.gov.uk

Website: www.pensionprotectionfund.co.uk

Appendix 5 – Address for Enquiries

Further information about the Scheme and enquiries relating to specific benefit entitlements should be addressed to:

RPMI
2 Rye Hill Office Park
Birmingham Road
Allesley
Coventry
CV5 9AB

Telephone: 02476 472 582
E-mail: enquiries@rpmi.co.uk