

ELECTRICITY SUPPLY PENSION SCHEME

Minutes of the 38th Annual General Meeting of Members of the Scheme held as a virtual meeting by Webinar provided by EPTL's legal adviser, Fieldfisher, on Monday 23 November 2020 commencing at 1pm.

Present

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| Joanna Matthews | Chair, Electricity Pensions Trustee Limited |
| Council Members of EPTL | |
| Directors of EPTL | |
| Chair of EPL | |
| Kevin Groves | Scheme Secretary |
| Seventy nine members of the Scheme | |

Advisers in attendance

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| Alex Bertolotti and Claire Millington | PwC LLP, Scheme Auditors |
| David Gallagher | Fieldfisher, EPTL Legal Adviser |
| Guy Willard | Aon, EPTL Investment Adviser |

Notice convening the Meeting

1. The notice convening the meeting was taken as read.

Introduction

2. The Chair welcomed the members and others present and introduced the main speakers. The Chair then covered how the virtual meeting would work from a practical point of view especially in relation to the main features on the Webinar screen. The Scheme Secretary went on to outline the purpose of the AGM. He said that the AGM was being held as a virtual meeting because of the risks and legal restrictions arising from the Covid19 pandemic. Documents relevant to the AGM (including the agenda, previous minutes, accounts and privacy notice) had been previously emailed to members and other attendees who had registered to join in the meeting. These documents had also been placed on the ESPS website. The meeting would be recorded for the purposes of having a reliable record and might also be used for training purposes. The recording would be held initially by Fieldfisher and then by Capita on behalf of EPTL. If there was interest it might be made available publicly for members to view.

Minutes of the 37th Annual General Meeting held on 25 November 2019

2. The minutes of the 37th Annual General Meeting held on 25 November 2019 were agreed as a correct record, as confirmed by a vote of members.
3. With reference to minute 4, the presentation slides showed that the September 2020 RPI figure had been announced at 1.1%. Rule 26 of the Scheme Rules provided that for most Defined Benefit (DB) members, pensions in payment to members and spouses and dependants should be increased in line with the increase in the RPI over the 12 months ending in the previous September (where RPI increases were more than 5%, pension increases could be limited by Principal Employers to less than the full increase in RPI, subject to the increase being not less than 5%). Whilst the September RPI figure each year usually indicated the level of pensions increase for DB members applicable from the following 1 April, provisions for pensions increases might differ between and within

individual Groups of the Scheme.

4. With reference to minute 29, it was noted on the presentation slides that the date of the next Scheme AGM would be Monday 22 November 2021. The starting time would be 1pm and the format of the meeting would be confirmed in due course.
5. Yogesh Nakarja (National Grid Group pensioner) queried why the names of all members and others who attended the 2019 AGM were not recorded in the minutes. The Chair and the Scheme Secretary responded that there had never been a requirement for this and it was felt that some members might not want their names recorded. Graham Commons (EPTL Council member and Director) confirmed this and added that a register of attendees was only held on the day of the AGM for security and safety purposes.
6. Terry Johnston (E.ON UK Group pensioner) referred to minute 6, and raised the following points – “Although questions regarding the “employer of the last resort” have been raised on a number of occasions in the last 30 years, this is the first time that we have been informed at an AGM that successor companies become “employer of the last resort” in the ESPS in place of the Government. The Directors of EPTL at the time of privatisation were given an assurance that the Government was the “employer of the last resort”. The Directors of EPTL would not have known to ask and were not told if this was contained in the end legislation as they would have accepted the assurance given. Why have we had to wait nearly 30 years to hear this?” David Gallagher of Fieldfisher responded that the government did not give a financial guarantee to support ESPS and is not the employer of the last resort. The government provided a system of financial backing by creating a statutory requirement for the original privatisation companies to fund all members' benefits. This might have been described as a "guarantee" by some people involved, but it was not a guarantee from the government and that word had not appeared in official text looked at. He said that Fieldfisher had searched back at what was said in Parliament and at ESPS AGMs and these supported this understanding. In a House of Lords debate on 26 June 1989, Baroness Hooper had summarised the protections, which would apply if the ESPS was wound up, as follows: "in essence, if any of the specified events occurs, regulations will require the employer or employers from time to time of any person affected to ensure that protected persons employed by them will continue to enjoy pension rights which are no worse than they would have been if the ESPS had continued to exist, or the other specified events had not occurred". David Gallagher said that at the 1990 Scheme AGM (para 58) it was reported that: “ Each retired member was the responsibility under the Scheme of his/her former employer at retirement, except in cases where the former employer had ceased to exist, when he/she was allocated to one of the companies succeeding the former employer.” Graham Commons (EPTL Council member and Director) fully supported the comments made by David Gallagher. Terry Johnston thanked David Gallagher for the explanation and said while the answer was clear it had not been his understanding as a Director of EPTL at the time.

Report by the Chair of EPTL and the Scheme Secretary

7. The Chair reported on the make-up of the EPTL Board (nine Board members and four Reserves) during the last year and on the changes following the EPTL Council meeting held on 16 November 2020. The Chair thanked all those who had served on the Council and Board of EPTL, together with the professional advisers and the Capita staff, for their respective contributions to the work of the Scheme during the year.
8. The number of active Groups within the Scheme was currently twenty-six which included a new Group named Ovo. During the year since the last AGM there had been one Scheme-wide Amendment covering improvements in the provisions regarding Insolvency of a

Principal Employer. Some of the main matters addressed by the EPTL Board during the year since the last AGM included arrangements for the virtual Scheme AGM 2020 and virtual Council meeting; the launch of the ESPS website; a new Statement of Investment Principles (SIP) which had been published on the website; monitoring of the Forestry Sector; the ongoing monitoring of the Carillion situation; the search for a new Independent Chair of EPTL; the review of the Custodian; various governance and risk matters including Covid19; and, together with EPL, consideration and negotiation of a new contract with Capita for the provision of administration services to the ESPS. General pension issues since the last AGM included the legal provision for civil partnerships for opposite sex partners where previously it had only been available for same-sex partners.

EPTL Independent Chair

9. Joanna Matthews reported that she was soon standing down as EPTL Independent Chair after nine years in that role. Joanna thanked all those involved in the ESPS for their hard work and commitment. Joanna then introduced her successor, Melanie Cusack of PTL, who was in attendance at the AGM. Melanie gave a brief outline of her experience to attendees and said that she looked forward to working with everyone involved in the ESPS. Melanie would take over as new Independent Chair on 1 January 2021.

Report by the EPTL Legal Adviser

10. David Gallagher, on behalf of all EPTL's advisers, thanked Joanna Matthews for her work as EPTL Chair over the last nine years and paid tribute to her "human touch" in dealing with a wide variety of matters, often quite complex.
11. He then reported on the legal situation regarding virtual board meetings during the year and the virtual AGM as a result of the Covid 19 pandemic. A virtual AGM was permitted under the EPTL constitution (Article 31) and was included in Government guidance. The government guidance also mentioned postponement as an option but the EPTL board had considered that postponement was less satisfactory for ESPS members than a virtual meeting on the originally agreed date.
12. David Gallagher reported on the background to the establishment of the ESPS. He then reported that there had been no further developments on the Magnox situation and that the Carillion situation continued to be monitored. He also covered some other legal issues such as a decision by EPTL to change its Articles to cover unplanned absences of Directors and the appointment of temporary Directors in such cases, and then on climate change issues and related responses to consultations.

Report by the EPTL Investment Adviser

13. Guy Willard of Aon reported on various investment matters during the year to 31 March 2020 and firstly focussed on the impact of the Covid 19 pandemic. This had resulted in the fastest bear market in history and had created some serious sector dispersion including airlines and travel. There had been substantial quantitative easing across the globe with interest rates close to zero. Investors had been seeking safe havens where possible.
14. Guy Willard went on to report on the performance of the ESPS Forestry Sector which continued to produce good returns and had resulted in a 17.5% return in the year to 31 March 2020. This included capital values and income from both timber sales and windfarms. He also reported on the growing call for responsible investments.

Presentation on the Scheme Accounts for 2019/20

15. The Scheme Secretary gave a presentation on the matters dealt with in the Scheme's

Annual Report and Consolidated Financial Statements. It was explained that the Financial Statements showed the position for the Scheme as a whole and confirmed that these met all statutory and reporting requirements. Each of the Groups produced its own Report and Financial Statements and members should also refer to the Report and Financial Statements for their own Group, as Groups were actuarially independent.

16. Key points from the Scheme accounts included that: during the year, pension contributions of approximately £1.4 billion (including deficit repair contributions of £779 million) had been received, and pension benefits of approximately £1.6 billion had been paid; the value of Scheme's investments had decreased by approximately £400 million; and as at 31 March 2020 the Scheme's assets were valued at £43.4 billion.
17. Groups continued to be required to make representations to EPTL, generally on an annual basis, to provide assurance that devolved activities were being undertaken to the required standards.

Matters Arising from the Presentations

18. Michael Clark (UKPN Group member) asked if there was any news on the future use of RPI. David Gallagher responded that changes by the Government in this regard appeared to be on the horizon. He had read that it might to be covered in the Government's Spending Review due to take place on 25 November 2020. There would obviously be an issue for those pension schemes, like the ESPS, where RPI was referred to in the rules.

Receipt of Annual Report and Financial Statements

19. The Scheme's Annual Report and Consolidated Financial Statements, and the Auditors' Report thereon for the year ended 31 March 2020 were formally received.

Other Questions

20. Terry Johnston (E.ON UK Group pensioner) asked how details of the AGM would be communicated in future and felt that virtual AGMs were unsatisfactory. He said that he had received little information from his Group. The Chair responded that Groups were responsible for communicating details to their members but that future use would be made of the new ESPS website for giving information on such matters.
21. Raymond Howard (UKPN Group member) asked if the AGM was being recorded. The Chair confirmed that it was being recorded.
22. Mike Gale (National Grid Group pensioner) asked if the ESPS was in good shape. The Chair felt that it was in good shape with, for example, various rigorous governance procedures in place. David Gallagher, as EPTL legal adviser, agreed and reported that it had been tested positively on matters such as Carillion and the position of Protected Persons.
23. Yogesh Nakarja (National Grid Group pensioner) asked whether, in the light of the recent judgment in the Lloyds Bank case, the position of GMPs on historical transfers would be considered. David Gallagher replied that it was largely a matter for Groups although the position of Bulk Transfers between Groups was likely to be considered at the central level.

Date of 2021 Scheme AGM

24. As reported earlier in the meeting it was confirmed that the next Scheme AGM would be held on 22 November 2021, with the starting time of 1pm and the exact arrangements to be confirmed. The Chair advised members and attendees to enter the date in their diaries.

Vote of Thanks

25. The Chair thanked all members present for attending the AGM and offered best wishes to all. Alastair Russell (EPTL Director and Deputy Chair) proposed a vote of thanks to the Chair Joanna Matthews, EPTL Directors and Council Members, Officers of the Scheme, the staff of Capita, and the advisers to the Scheme for all their work for the ESPS throughout the year; and to all ESPS members present for their attendance.

Conclusion

26. There was no further business and the meeting concluded at 2.20 p.m.