

PensionsUPDATE

Magnox SLC Pensions Update - Autumn 2011

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

Welcome to the Autumn 2011 issue of Pensions Update. This includes the “Summary Funding Statement” which contains information that the trustee is required to communicate.

Actuarial Valuation

In the last edition of Pensions Update we reported the results of the latest actuarial valuation, which is a series of calculations, which must be performed by a professionally qualified actuary, to establish the financial position of the scheme. It enables the trustee to monitor that the scheme will have enough money to pay the benefits to which it is committed, including those for members who have left with a right to a deferred pension and those who have already retired.

A full actuarial valuation must be completed at least every three years and in the interim, the trustee must complete an annual update. The results of the annual update have been included in this newsletter.

In the Autumn 2010 Pensions Update, you may recall that we explained that, as a result of the strength of the commitment to fund the pension scheme which was given to the trustee by the NDA, the trustee could reasonably increase the amount invested in growth assets. Their commitment is to ensure, as a Government body with a sovereign credit rating, that the SLC Section of the Magnox Group of the ESPS is properly funded. Over the last year, the trustee has made a series of changes to the investment strategy and details of the investments held at 31st March 2011 are shown later in this newsletter.

Investment performance over the last year has been better than anticipated, but financial markets have of course been particularly volatile in recent months. The trustee spends a great deal of time monitoring its investments, with the help of its professional advisers and in consultation with Magnox Ltd. In such volatile times the commitment given by the NDA to always ensure that the section is properly funded is particularly reassuring.

Funding Updates

The next full actuarial valuation is due to be completed at 31st March 2013, although the trustee will continue to monitor the financial position of the scheme by completing annual funding reviews.



DATES FOR YOUR DIARY

Magnox Group Annual Meeting

The Magnox Group Annual meeting will take place on **THURSDAY 24TH NOVEMBER 2011** at Hamfields Leisure (Sports and Social Club at Berkeley Centre), commencing at **2 p.m.** This meeting provides the opportunity for members to meet with the trustee and its advisers and ask questions. Tea and biscuits will be served.

Electricity Supply Pension Scheme Annual General Meeting

The Scheme's Annual Meeting will take place on **Wednesday 7 December 2011** at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London, EC2A 2HS starting at 12.00 noon (rather than at the customary time of 1.30 pm, to accommodate requests from members).

The purpose of this meeting is to receive the Scheme Annual Report and Financial Statements and the Auditor's Report, receive the report of the Scheme Trustee and conduct any general business including the consideration of any resolutions proposed by members. Details of the agenda, resolutions and notices may be obtained from mid-November 2011 by contacting the pensions department at Berkeley whose contact details are shown at the end of this newsletter.

Trustee Board

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

Currently, the trustee board comprises the following:

Appointed Trustee Directors

Tony Cooper Non Executive Director Nuclear Decommissioning Authority Chairman of the Group Trustee	Michael Cogbill (Retired employee – not in receipt of pension from the scheme)
Philip Parker HR Director Magnox Projects Deputy Chairman of the Group Trustee	Sara Johnston Programme Director - Magnox & RSRL Nuclear Decommissioning Authority



Elected Trustee Directors

Jim Boyd (Current employee) Dungeness	Tony Harris (Retired employee- in receipt of pension from the Scheme)
Brian Hibdige * (Retired employee- in receipt of pension from the Scheme) Chairman of the Investment Sub-committee	Dyfrig Jones (Current employee) Wylfa
David Openshaw * (Retired employee- in receipt of pension from the Scheme)	Lee Ward * (Current employee) Babcock (formerly VT Nuclear Services and Project Services)

* Re-elected at 1st January 2010 to serve for a further four years

Trustee Election

Active and retired members of the Group will have received notification of an election for trustees. There are three vacancies; one for a retired member and two for active members. Once elected each trustee must act in the interests of all members and do not represent a particular group. The closing date for nominations has now passed and the results of the election will be known in early December. Tony Harris and Dyfrig Jones have both decided not to stand for re-election this time. Their fellow trustees would like to thank them both for the valuable contributions to the good governance of the scheme which they have made over a number of years and wish them well for the future.

Retirement Of Fergus Hall

Many of you will know Fergus Hall who has looked after the pensions department for many years. Fergus retired from the Company at the end of July and the trustees would like to take this opportunity to thank him for his support and guidance over the years and to wish him a very happy and healthy retirement.

Annual Report And Accounts

Every year the trustee must produce a report, including audited financial statements. This report is a formal and lengthy document, but for those who wish to read the full document, it is available from the pensions department at Berkeley. Contact details are shown later in this update.

Pensions Website

The trustee is currently working on a website which will be available shortly. We recognise that not all members of the scheme have access to the internet and will also continue to provide information in more traditional ways.



SLC SECTION OF THE MAGNOX ELECTRIC GROUP OF THE ELECTRICITY SUPPLY PENSION SCHEME 2011 SUMMARY FUNDING STATEMENT

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

How The Scheme Operates

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

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

Actuarial Valuation

An actuarial valuation of the scheme was completed as at 31st March 2010. The results of this valuation showed that on that date, the funding position was as follows:

Assets of the SLC Section	£1,958.9M
Amount needed to provide benefits (Known as technical provisions)	£1,988.1M
Deficit	(£29.2M)
Funding level	99%

The trustee agreed with the employer that the deficit shown above would be repaired by employer contributions of £20.0M each July, from 31 July 2012 to 31 July 2014 inclusive. In fact, Magnox Ltd paid the £20.0M which was due on 31st July 2012 early and the trustee was very pleased to receive this payment in March 2011.

The actuary recently provided the trustee with a report setting out details of an approximate update of the funding position as at 31st March 2011. The results of this update are as follows:

Assets	£2,103.2M
Technical Provisions	£1,996.1M
Funding surplus	£107.1M
Funding level (Assets/Liabilities)	105%



The figures in the report were calculated by rolling forward the results of the 31st March 2010 valuation and making allowances for changes in investment market conditions since the date of the valuation. This is not as thorough as a formal valuation – for example, it takes no account for things like changes to membership numbers – but it still gives a useful guide to changes in the funding level.

The funding ratio has improved since the valuation date. This is mainly due to the higher than expected investment returns over the year and early payment of the July 2012 deficit contribution of £20M, which was brought forward to 31st March 2011.

As part of the valuation calculations, the actuary also estimated what the position would have been if the trustee had wound the scheme up and secured all members', including pensioners' benefits, at that time through individual policies with an insurance company. Insurers are obliged to take a very cautious view of the future and need to make a profit. On this basis, the calculations revealed that at 31st March 2010, 81% of the section's liabilities could have been secured in this way. Please note that it is a legal requirement to provide this information – the Company has no intention of winding up the section. It is also worth noting that a solvent employer can only wind up a scheme if 100% of the benefits can be secured with an insurance company.

What Is The Scheme Invested In

The trustee's policy is to invest in a broad range of assets which are designed to ensure that the investment objectives of the scheme are met. A summary of the asset allocation at 31st March 2011 is given below:

Manager	Portfolio	£m	%
Legal & General Investment Management Limited	UK Equity	44.4	2.1
Lindsell Train Ltd	UK Equity	86.1	4.1
Scottish Widows Investment Partnership Limited	UK Equity	71.2	3.4
Genesis Asset Managers	Emerging Markets Equity	53.5	2.6
Trilogy Global Advisers	Emerging Markets Equity	52.5	2.5
UBS Asset Management Ltd	Bonds	309.3	14.8
Legal & General Investment Management Limited	Bonds	25.9	1.2
Pimco Europe Ltd	Diversified Bonds	196.9	9.4
BlackRock Investment Management (UK) Limited	Index-Linked Gilts & Swap Funds	482.7	23.1
BlackRock Investment Management (UK) Limited	Active Corporate Bonds	155.1	7.4
BlackRock Investment Management (UK) Limited	Credit-Screened Bonds	114.5	5.5
Goldman Sachs Asset Management	Currency	26.6	1.3
Ruffer LLP	Diversified Growth	77.0	3.7
Baring Asset Management	Diversified Growth	77.8	3.7
Schroder Investment Management Limited	Diversified Growth	81.4	3.9
JP Morgan Asset Management Ltd	Fund of Hedge Funds	72.8	3.5
Henderson Global Investors	PFI	15.0	0.7
Innisfree Ltd	PFI	21.2	1.0
Goldman Sachs Opportunities Partners	Distressed Debt	6.2	0.3
EPTL Unitised Fund	UK Property	87.7	4.2
EPTL Unitised Fund	UK Forestry	17.4	0.8
BlackRock Investment Management (UK) Limited	Cash	17.7	0.8
Total		2092.9	100.0



Additional Documents

Provided automatically:

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

Available on request:

- The Annual Report and Accounts of the Magnox Group of the Electricity Supply Pension Scheme, which provides details of the income and expenditure of the scheme over the year to 31st March 2011.
- The full report on the Actuarial Valuation which was completed at 31st March 2010.
- The Annual Actuarial Report which was completed at 31st March 2011.
- The Schedule of Contributions, which shows how much money is being paid into the scheme.
- The Statement of Investment Principles, which gives details of how the trustee invests the money which is paid in to the scheme.

Pension Protection Fund (PPF)

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

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

Given that pension costs are met by the Nuclear Decommissioning Authority (NDA) it is extremely unlikely that the employer will ever become insolvent and the benefits subsequently transferred to the PPF. This information has been included as it is a legal requirement to do so.



Other Legal Requirements

The Pensions Act 2004 requires the trustee to provide members with the following information. This information would be of particular importance for schemes where The Pensions Regulator has intervened due to concerns about the security of members' benefits. No such intervention has occurred under the Magnox Group of the Electricity Supply Pension Scheme.

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

Further Information

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

EPAL, West Oak House, Westwood Way, Westwood Business Park, Coventry CV4 8HS.

Telephone 02476 472582

You can also send your enquiries by email to enquiries@epal.uk.com

EPAL also operates a website from which information is available:

www.epal.uk.com

Information about the Magnox Scheme can be accessed from the EPAL homepage in the following way:

Select **Members** from the options at the top of the page

Select **Magnox** from the list of companies shown

Select **Other Magnox Information – password required**

Enter the user name **Download** and password **Mag952**

You should then have access to Magnox information

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Magnox Electric Group Trustees
Electricity Supply Pension Scheme



If you are currently employed you can also obtain pension scheme information from your site pensions contact:

Berkeley	Leila Symington
Bradwell	Tim Silver
Dungeness	Pensions department - Berkeley
Hinkley Point	Hannah Payne
Hunterston	Ann Masey
MSO	Tracey Brown
Oldbury	Hayley Nicholson
Sizewell	Sophie Ames
Trawsfynydd	Llinos Williams
Wylfa	Lisa Thomas

Contact details for the pensions department at Berkeley are

Rachel Hewlett	rachel.l.hewlett@magnoxsites.com	Tel. 01453 813115
Jan Wilson	janet.wilson@magnoxsites.com	Tel. 01453 813139
Angie Valentine	angie.m.valentine@magnoxsites.com	Tel. 01453 812769

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

