

EDF GROUP OF THE ESPS (EDFG)

Group Update

April 2023



WELCOME TO YOUR GROUP UPDATE

Message from the Chair

Welcome to our first update in 2023 from the EDF Group of the Electricity and Supply Pension Scheme (EDFG).

This will be the last message you will get from me as Chair of the Group. I have decided to “hang my boots up” in June following the completion of the latest valuation.

I have to say that it has been a privilege to be involved with a great team - the Trustees, the Pensions Management Team and our advisors – who have made my job really easy, and I thank them all for that. The relationship with the EDF has also been first class - again, something which is invaluable in working together towards a common objective.

I can't help but “to look back in the wake” since I first took over as Chair of BEGG in 2014, followed by EEPS and EEGS. At the time all the schemes were in deficit and the key focus was how to repair that situation. Fast forward to now and we have consolidated the three schemes into one and that scheme has a reasonably healthy surplus (on a Technical Provisions basis).

That surplus was dented somewhat by the events of last Autumn but, nevertheless, the key focus now is how to move to a position of self-sufficiency where the scheme can stand alone without significant support from EDF. It has been a massive change for the better and I must emphasise that I can take no credit for the improvement whatsoever. The fact is that the teams I identified earlier did it all and I went along for the ride - watching in admiration.

It's for this reason that I hand over to my successor with no trepidation whatsoever. After all, as a member, I have a big, vested interest! It's not my place to introduce my replacement but I can say that the process is being handled very professionally with involvement from the Trustees. I wish them all the very best in the future.

One final, very personal point. As Chair, you are very dependent on the Scheme Secretary, and Laura Le May has been an absolute pillar of strength for me. Her unending energy, professionalism and enthusiasm (together with lots of patience!) has been invaluable - thanks Laura!

Having dealt with my change, I also need to let you know that Carol McArthur has stepped down as a Trustee after 11 years of service. Carol has exhibited all the attributes I've highlighted above and navigated the potentially tricky path of combining the roles of Company Chief People Officer and Trustee with consummate professionalism - thanks Carol!

Carol has been replaced on the Board by Tam Albishawi who I've known for many years and welcome him to the team. A hard act to follow but I'm certain that he'll bring new skills and perspectives to the Board.

Best wishes to you all.

Andy Spurr
Chair of the Trustees
EDFG

2022 VALUATION AS AT 31 MARCH 2022

At least every three years, trustees and sponsors must undertake a full actuarial valuation of defined benefit pension schemes. We must review the financial position of EDFG and agree what (if any) contributions must be paid in. The formal Statutory Valuation for EDFG as at 31 March 2022 is now complete.

Valuation Results

	2022	2019 ¹
Value of EDFG's assets:	£10,166m	£8,798m
Technical Provisions (i.e. the assessed value of EDFG's liabilities):	£8,918m	£8,473.7m
Surplus:	£1,248m	£324.3m
Funding level:	114.0%	103.8%

¹ The 2019 comparison figures represent the *combined 2019 results of the three legacy EDF Schemes (BEGG, EEGS and EEPS)*

Change in the surplus

The following factors acted to increase the surplus:

- Level of investment returns over the period;
- Additional contributions paid into the Group by EDF over the period; and
- Changes in valuation assumptions, including updated mortality assumptions.

Future contributions

As EDFG has a surplus on a Technical Provisions basis as at 31 March 2022 there is no requirement for a formal recovery plan to be put in place. However, EDF has committed to continue to pay additional contributions to EDFG of £31.75m each year until 31 March 2027, or until EDFG reaches a certain level of funding (the self-sufficiency level) and can continue to exist and pay benefits without further financial contribution or dependence on EDF, if earlier.

In addition, EDF will also pay contributions of 57.7% of pensionable salary from 1 April 2023 for future accrual of benefits for the small number of contributing members still building up benefits in EDFG, less their member contributions (where payable) plus the cost of any augmentations to benefits.

Expenses

During the 2022 valuation process the Trustees and EDF agreed that part of the Technical Provisions surplus would be used to fund the majority of the Trustee running costs of EDFG from 1 January 2023. EDF continues to meet the levies due to the Pension Protection Fund.

Benefit security

During the 2013 valuation process, the Trustees and EDF agreed a funding framework which provided additional funding and protection measures for EDFG. The framework has been modified on several occasions since 2013, most notably as part of the 2016 and 2019 actuarial valuations and most recently, as part of the scheme consolidation exercise - which took effect from 31 December 2021 - in which EDF agreed a significantly enhanced level of support to EDFG, materially improving the long-term security of members' benefits. More detail on the funding, covenant, investment and governance element can be found in the December 2021 member update, which can be found on OneView.

Solvency position

As part of the formal valuation, the actuary is required to measure the liabilities on a discontinuance basis. There are currently no plans to discontinue EDFG but, by law, we must provide you with this information.

As at 31 March 2022, if the full benefits of all members had to be provided by an insurance company (i.e. if EDFG was wound up or discontinued at that date), EDFG's assets would not have been sufficient. The actuary estimated that the discontinuance shortfall as at 31 March 2022 was £2,349m.

In the unlikely event that EDFG should wind up, then EDF Energy Nuclear Generation Limited would be obliged to fund this shortfall. The Trustees could also make a claim under the funding framework referred to above. If EDFG was unable to recover enough money to buy all the benefits with an insurer, then members would be unlikely to receive the full benefits they were expecting. To help members in this situation, the Government set up the Pension Protection Fund (PPF). The PPF provides a safety net, paying a prescribed level of benefits to members of eligible UK pension schemes which are wound up with insufficient funding to provide a higher level of benefits.

Further information and guidance is available on the PPF website at www.ppf.co.uk. Or you can write to the Pension Protection Fund at PO Box 254, Wymondham, NR18 8DN.

Subsequent developments

The Trustees continuously monitor the funding levels of EDFG, which continues to be volatile and in years when a full valuation is not performed, the actuary provides a brief annual report on the funding position.

Lastly, we need to tell you if there have been any payments to EDF from EDFG in the previous twelve months or whether the Pensions Regulator has needed to intervene in the running of EDFG. We can confirm that no such payments have been made and there has been no intervention by the Regulator.

CHANGES TO FACTORS

As a matter of good practice, the Trustees regularly review and update the Group's actuarial factors at least every three years, following each formal valuation of EDFG. These factors determine the value and cost of some of the options available to members, including, for example, converting part of your pension to receive a cash lump sum on retirement.

Following completion of the 2022 EDFG valuation, the Trustees and EDF have reviewed the factors and having taken advice from the Group Actuary, have made changes which came into effect on 1 April 2023.

As a result of the review, in many cases the updated factors will mean that members will be worse off, compared to the previous factors used by the Group. This is due to changes to the underlying assumptions and the impact of recent market conditions. Details of the updated factors can be found on the [EDFG pensions page on eNZO](#) and on OneView.

Recognising the immediate impact; for those members who have received a retirement quotation from Mercer before 1 April 2023, with a retirement effective date on or before 30 June 2023 and whose completed option forms are received by Mercer on or before 30 June 2023 - Mercer will use the factors in force prior to 1 April 2023. In all other circumstances, the factors in force on the date of retirement will prevail.

The Trustees will continue to regularly review the actuarial factors used to calculate EDFG benefits and will keep members updated, as and when changes are made in the future.

Cash Equivalent Transfer Values (CETVs)

The CETV factors have been reviewed and updated to reflect the assumptions used in the 2022 valuation, including updated views on future life expectancy and price inflation. These new factors came into effect on 1 April 2023 and will be used for all CETV quotations calculated on or after 1 April 2023.

CETV factors are adjusted every month, in accordance with underlying market movements e.g. inflation and interest rates, and this practice will continue going forwards.

Independent Financial Advice

Neither the Trustees, the Pensions Management Team, nor the Pension Administration team at Mercer can provide advice about transferring out. This is an important and irrevocable decision, and we recommend that you seek advice from an Independent Financial Advisor (IFA), before you transfer your benefits.

If your transfer value is £30,000 or more, you are required by law to seek advice from an IFA, unless you are transferring to another Group within the Electricity Supply Pension Scheme (ESPS) or another defined benefit scheme.

EDF has partnered with an IFA called Origen who can offer regulated advice on all matters to do with pensions including about transferring out for all current EDF employees. As a result of the partnership, reduced fixed fees have been agreed with Origen. More details of these and how to contact Origen can be found on [the pensions page on eNZO](#).

FOCUS ON DEFINED CONTRIBUTION (DC) AND ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

Do you have DC/AVC pension investments?

If so, please take the time to update OneView for your target retirement date and your chosen Lifestyle strategy (if relevant). It's important to keep OneView up to date with the correct information so that you can have access to accurate data.

If you have DC pension investments, it's essential that OneView reflects your target retirement date, as this date is used to trigger the lifestyling de-risking process that begins 8 years from retirement (for some legacy members this begins 5 or 11 years in advance). This de-risking process is done on a quarterly basis, with a percentage of assets switched from higher risk to lower risk assets in small increments, to avoid shifting large elements of your pension pot on the same day. This helps, in some degree, to protect your DC pot from times of market volatility. Please therefore make sure you are in the correct lifestyle strategy that suits your aims and needs.

If you have selected the drawdown lifestyle arrangement, please note that drawdown is not available within EDFG. To use your DC pension investments for drawdown you would need to transfer these investments to another approved pension arrangement.

Included below is a summary of key actions that you may find helpful.

- Log in to Mercer OneView – if you are an EDF employee you can do this via myBenefits (https://www.therewardhub.com/edf_energy) and all other members should visit OneView (<https://www.merceroneview.co.uk/EDFG>) Find out details of how to do so on page 7.
- Review and, if necessary, update the age at which you expect to draw your DC pension investments
- Consider whether you've chosen the most appropriate Lifestyle strategy and make changes if required
- Make sure your nominated beneficiaries are up to date.

All of the above can be actioned via your OneView account.

Members with AVC pension investments in Aviva and Prudential

Please take the time to update OneView for your target retirement date and also consider whether you would like to move your AVC pension investments to the Scottish Widows platform. There was an exercise undertaken several years ago to move members from Aviva and Prudential, with the exception of those members within one year of normal retirement age and/or invested in 'With Profits' arrangements.

We recognise that individuals' circumstances change, therefore if your intended retirement date has changed, you may be financially better off by moving to the Scottish Widows platform as there are a wide range of funds to choose from with more competitive fees. If you have a 'With Profits' investment, it is unlikely that you would benefit from switching and if you chose to do so, the Trustees would recommend that you take Independent Financial Advice before doing so.

Responsible Investment

Over time, there has been increasing industry focus on sustainability within pension investments, and supporting causes that fall under Environmental, Social and Governance (ESG) considerations. Outlined below are various causes that investing in this way could support, but this list is not exhaustive:

- Environmental – Climate change, pollution, renewable energy
- Social – Diversity and inclusion, human rights, ethical supply chain sourcing
- Governance – Transparency of accounting, relationships with regulators, board composition.

As part of the ongoing governance of the Group, significant steps have been taken to improve the level of integration of ESG factors within the Group, and the Group's DC Delegated Investment Manager, Mercer, has also worked to integrate ESG into the investments that they make on behalf of the members.

The Trustees have worked with its DC Investment Advisor to quantify the level of ESG integration through carrying out the Responsible Investment Total Evaluation (RITE) assessment. The assessment considered how well the Group is currently integrating ESG considerations into the overall decision making and reviewed the Group's position compared to other pension schemes.

The Trustees are pleased to report that the Group scored an "A" rating for the DC section of the Group with that score being within the upper quartile when compared to peers. Some of the work that the Trustees have completed this year to achieve this score includes:

- Publishing the first 'Task Force for Climate-Related Financial Disclosures (TCFD)' report, available to download at <https://www.edfenergy.com/download-centre>
- Appointing a delegated DC manager, Mercer, who solely work with investment managers who are signatories of the UK Stewardship Code and engage regularly with investment managers and companies in line with their stewardship priorities.

- Utilising funds that aim to align with the Paris Agreement, have a net zero target and publish climate change scenario modelling and carbon metric data on an annual basis

New DC funds added/update to existing DC funds

As part of the Trustees' ongoing focus on responsible investment, there have been two new Sustainable Funds (active and passive versions) added to the suite of funds offered on the Scottish Widows platform and a Property Fund has also been made available for you to invest in. You can access the full list of funds available to invest in via the DC Investment Guide (available on the [pensions page on eNZO](#), myBenefits and OneView).

In addition to the new funds added, the LGIM Pre-Retirement Inflation Linked Fund has had some changes made to it to incorporate Environmental, Social and Governance (ESG) considerations as part of the investment strategy. You can find the fund fact sheets on OneView.

PENSION INCREASES

Every year, in April, Defined Benefit pensions in payment are reviewed in line with the annual increase with reference to the previous September's Retail Prices Index (RPI), which for 2022 was 12.6%. However, the actual increase awarded may be subject to a cap permitted under the Rules. The rate of increase that is applicable to you depends on which section of the Group you are a member of and you should refer to the relevant Member Guide, which can be found on the [EDFG pensions page on eNZO](#) and OneView, for more details.

There are circumstances where, due to the components that make up a member's pension, certain elements are not increased in line with RPI (capped as appropriate) as detailed above – if you are impacted by this, details will be set out in your pension increase letter.

If you are a pensioner member you would've received a letter from Mercer, the pension administrators, confirming your new rate of pension, applicable from 1 April 2023. Pensioner members are reminded that HMRC compiles your tax code from the personal financial details that they have for you, including pensions you may receive and all other income such as employment remuneration, dividends and interest on savings. They then determine the allowance you receive and generate a tax code, which they instruct Mercer to apply to your pension payments.

If you have a query about your tax code, you must direct it to HMRC as they will not divulge any details to Mercer about how your tax code has been determined.

If you are a deferred pensioner member, the relevant Member Guide confirms how the annual deferred pension increase is determined and applied (which could be different to how increases are applied once in payment).

REVIEW YOUR NOMINATED BENEFICIARIES

Are your wishes up to date?

Nominating your Beneficiaries makes sure the Trustees know who you'd like to receive any cash sum if you die. So, it's really important the Trustees know your wishes about who you would like to receive these payments, if they become due, and that this information is kept up to date, especially if your circumstances change.

The Trustees will decide who'll receive any lump sum payment after your death, which means that the payment won't form part of your estate and so does not attract Inheritance Tax. Whilst not bound by it, under the Rules of the Group, the Trustees can consider paying this money to anyone you have named as your Beneficiary.

What do I need to do?

Log into your OneView account and click on "view details" for your DB benefits and then click on the option "view Beneficiaries". You will then be able to review and make any change for Lump Sum Beneficiaries and Dependants.

Logging into OneView

All members

All members can log in to OneView directly, visit <https://www.merceroneview.co.uk/EDFG>

Employee members

Employee members can also single sign on to OneView via the 'myBenefits' tile, which can be found in Quick Links on the home page on eNZO - visit <https://edfenergynnb.sharepoint.com/sites/Intranet> then:

- Click on the 'myBenefits' tile (you may need to enter your email address and click 'next')
- Click 'Check' (on Left Hand Side) > myPension > View this Benefit
- Click on any of the "Access OneView" links.

Employee deferred members

For employee deferred members, click on the 'myBenefits' tile, which can be found in Quick Links on the home page on eNZO - visit <https://edfenergynnb.sharepoint.com/sites/Intranet> then:

- Click on the 'myBenefits' tile (you may need to enter your email address and click 'next')
- Click 'Check' (on Left Hand Side) > myDeferred Pension > View this Benefit
- scroll down and click on the "Access OneView" link.

Download the OneHub | Home app

Employees can also download the myBenefits app to access your pension benefits information and sign in to OneView. Search for 'OneHub | Home' in your app store.

When you access myBenefits through the OneHub | Home app for the first time, you'll need to let us know who you are. Simply enter your EDF email (as stored in SAP) and follow the steps on screen.

Remember to nominate your beneficiaries

Please remember to review/update your nominated beneficiaries via OneView to avoid delays in paying benefits and unnecessary distress to your dependants if anything happens to you.

All members can log in to OneView directly, visit <https://www.merceroneview.co.uk/EDFG>

WORKING TOGETHER WITH MERCER

In recent issues, we've shared with you how we are regularly monitoring the situation around the level of service being provided by Mercer and the work underway to move the administration on to a more modern platform.

Mercer have now completed their migration to this new platform that includes an updated OneView site <https://www.merceroneview.co.uk/EDFG> - you can find details of how to access OneView on page 7.

In the meantime, we are expecting greater levels of functionality to become available over time and will share any updates in due course.

As a reminder, the first port of call for any queries about your EDFG pension is via Mercer's secure portal <https://contact.mercer.com/blue>

AVOIDING PENSION SCAMS

Pension scams can be hard to spot. Scammers can be convincing and financially knowledgeable, with credible-looking websites, testimonials and materials that are hard to distinguish from the real thing. Scammers are continuing to target pension pots of all sizes therefore you should be very wary of scammers trying to tempt you to transfer out of the Group.

The Financial Conduct Authority is aware that scammers are also targeting people who are searching for investments online, in particular through search engines like Google and Bing. Although some scammers offer high returns to tempt you into investing, they may also offer realistic returns to make their offer appear more legitimate. Those offering or promoting products or investment opportunities found through search engines are not necessarily authorised or regulated by the FCA. You can check the FCA Warning List for firms to avoid.

Here are some general tips to keep your benefits safe.

Never engage with someone who:

- contacts you unexpectedly (known as a 'cold call') about your pension money by phone, text message, visiting you in person, or in other ways
- says you can access your pension money before 55 and that they can help you with this
- encourages you to take out a large lump sum, or your whole pension pot in one go, and to let them invest it for you
- asks you to transfer your money quickly, even sending documents to you by courier
- uses words like 'pension liberation', 'loan', 'loophole', 'free pension review' or 'one-off investment'
- offers you an investment described as 'unique', 'overseas', 'environmentally friendly', 'ethical' or in a 'new' industry.

REMEMBER:

- Never be rushed into making a decision or commitment about your pension money
- Always check the background of the person you are dealing with
- Always remember that if it sounds too good it probably is

For more help visit <https://www.fca.org.uk/scamsmart>

COMMUNICATING WITH YOU

Are your details up to date?

Just a reminder, we communicate with you electronically and Group updates are available on OneView – for current EDF employees, you are able to access OneView using single sign on via myBenefits. To do so simply visit via the home page on eNZO > myBenefits > myBenefits tile or you can access from any internet ready device by going to [myBenefits](https://www.therewardhub.com/edf_energy) (https://www.therewardhub.com/edf_energy) Once on the home page, go to 'Check' > myPension or myDeferred Pension (depending on your current membership status) > View this Benefit. To access your own individual pension record, click on any of the "Access OneView" links (you may need to scroll down).

Alternatively, links to OneView are shown below. Please make sure your information in the 'Contact Details' section is correct, including your email address – for Continuing members there is no need to update your address information as this is done automatically through HR data. You can view/update your Nomination of Beneficiaries too. You can also opt in to receive information via hardcopy. To do so, or if you need help with registering for OneView, please contact Mercer using the details below.

Visit eNZO*

As a Continuing member, [the pensions page on eNZO](#) gives you lots of information about your pension benefits and is the first place to visit if you have any questions. From here you can access [myBenefits](#) > myPension too where you can single sign on through to OneView. Within 'Choose' in myBenefits, you can, if you wish, boost your retirement savings by making Additional Voluntary Contributions (AVCs) or by making contributions to the Defined Contribution section of the Group. You can access myPension in the 'Check' section on [myBenefits](#).

Visit myDeferredPension**

For Closure and Transition members, myDeferred Pension gives you a high-level overview of the benefits as a deferred member of the Group with single sign on access through to OneView. You can also find information on the taxation of pension benefits and up to date Member Guides here too. You can access myDeferred Pension in the 'Check' section on [myBenefits](#).

Visit OneView

OneView secure portal gives you access to your own individual pension record for your EDF pension benefits. You can update your Nomination of Beneficiaries as well as finding lots of useful Group information including Group updates. You can access OneView using the links below or if you are a current EDF employee by using the single sign on via myBenefits. If you have any problems with access, please use the contact details shown in 'Contacting Mercer' below.

Contacting Mercer

If you wish to raise a query about your EDFG pension, Mercer have replaced their previous email contact addresses with a secure portal for members, dependants, and third parties. So, your first point of contact should now be online through Contact Mercer Admin <https://contact.mercer.com/blue> referred to as CMA. By using CMA, you can track the progress of your query online and the system allows Mercer to monitor enquiries more effectively and ensure timely responses. If you're not able to get online, you may still telephone Mercer on 0344 209 6594.

Mercer inks

OneView: <http://www.merceroneview.co.uk/EDFG>

Portal: <https://contact.mercer.com/blue>

Tel: 0344 209 6594

* Continuing employee members who are not impacted by the closure of the Group to future accrual

** Closure and Transition members with deferred benefits in the Group and who are still employed by EDF

Please note that while every effort is made to ensure the information contained in this update, in all cases of dispute, the Trust Deed & Rules and overriding legislation will prevail.

Information about you and your pension benefits held by the Trustee, or by the Pensions Administration Team who acts on its behalf, is kept secure and is only disclosed in limited circumstances. The Trustee is the "data controller" for the purposes of the Data Protection Act 2018, which came into force in May 2018. All the information requested is necessary for your membership of the Group. The Trustee uses the information with the purpose of ensuring that the Group is run in accordance with the Scheme Rules, Group Schedule and regulations. For example, the data may be passed to insurance companies (when necessary), to the Scheme Actuary, to the auditor and to other third parties. David Eteen, the Scheme Actuary, is now also a joint data controller in relation to the Group member personal data. Previously it was just the Trustee who was considered to be the data controllers and the Scheme Actuary was considered the data processor. If you want to know what this means, please see the ICO's website (<https://ico.org.uk/for-the-public>) for more information. The legislation requires this data to be kept confidential and only used for the prescribed purposes.