

# PLAN AHEAD



Eaton UK Pension Plan  
August 2021

## Inside...

Funding latest

Could you be a Trustee?

Check out our personalised member website, ePA!

[www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk)

**EAT•N**

*Powering Business Worldwide*

# Welcome to Plan Ahead 2021

I hope that you and your families are all keeping safe and well. Lockdowns have come and gone, meanwhile the Trustees continue to look after your pensions and the Plan.



**Rachel Brougham**  
Chair of Trustees

## Funding at 88%

We have recently completed the full valuation of the Plan's funding position at 31 December 2019, and the 2020 annual update. The results show that the Plan was 88% funded on 31 December 2020. Our actuary explains this figure on page 4.

## Hydraulics sale – an update

You may be aware of Eaton's sale of its Hydraulics division to Danfoss. This means that Eaton have said goodbye to a small number of Plan members. Members who transfer to Danfoss will become deferred members of our Plan and join the Danfoss pension arrangement for their future pension savings.

As the number of members involved is not a significant proportion of the Plan's membership, this will have little or no effect on the Plan. All our pensioners will continue to receive their pensions as before. Contributions will continue for the remaining Active members who will continue to build benefits in the Plan as they have been. The pensions of those who have left Eaton but who still have benefits under the Plan will continue to be protected.

## Goodbye and thank you

Jane Hulme and Mark Foreman have both stepped down as Trustees since the last newsletter. On behalf of the Trustees I would like to thank them both for their hard work on behalf of all members of the Plan.

## Welcome

We welcome Michelle Gee to the Board. She joined us on 1 January 2021 and works for the Corporate HR Team.



**Michelle Gee**

## Could you be a Trustee?

We will have two vacancies for Member Nominated Trustees on the Board, when the current incumbents' terms of office come to an end on 31 December 2021.

If you're a pensioner or an active member and eligible to nominate yourself, we enclose the Member Nominated Trustee announcement telling you more about the role and the selection process. You can also download this from our website at [www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk)

The final date for nominating yourself is 1 October 2021, with the term starting from 1 January 2022.

I think all our Trustees would say it's a rewarding role; and support and training will be given to the new Trustees.

## 80TWENTY

### Don't know where to start with pension planning?

If you're working for Eaton, you can get support and guidance on your pension from 80Twenty (a firm of financial planners).

Contact them on:

 **0800 542 8020**

 **[eaton@80twentygroup.co.uk](mailto:eaton@80twentygroup.co.uk)**

 **[www.80twentygroup.co.uk](http://www.80twentygroup.co.uk)**

If you need more in-depth personal advice, you should talk to an FCA-registered Independent Financial Adviser. You may wish to speak to 80Twenty in the first instance.



### Check out ePA

You can access your Plan pension details online using ePA. ePA was launched at the beginning of this year and, so far, 2,500 members have used it. Why not join them?

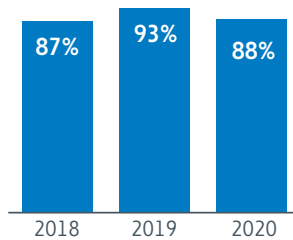
# Plan funding

– an update from Richard Akroyd, our actuary

Since the previous Plan Ahead, we have completed the full three-yearly valuation of the Plan and the Trustees have agreed new contribution rates with Eaton. We have also completed our update of the Plan's funding position as at 31 December 2020.

## How's Plan funding doing?

The valuation at 31 December 2019 showed an improvement in the funding level to 93% from 87% at the end of 2018. However, the position had been reversed by the end of 2020, when the Plan was 88% funded.



## Why has funding changed since the last check?

The 2019 update was the detailed three-yearly funding check of how much we expect the Plan's liabilities (members' benefits) to cost, looking at all the factors that could influence it. As part of this review we updated the assumptions, for example those for future life expectancy. The value placed on the liabilities is then compared with the value of the Plan's assets to provide the funding level.

The funding level increased over 2019 mainly due to the investment return on the Plan's assets and the Company's contributions towards removing the deficit. This was offset in part by an increase in the cost of providing pensions.

## Has Covid affected the Plan?

The story was different in 2020! Like many UK pension schemes, the value of the Plan's assets fell as the effect of Covid-19 was felt in the investment markets in March 2020. The 2020 update reflects a recovery in asset values during the latter part of the year, but there was still a reduction in the funding level during the year.

You have to remember that the Trustees are investing for the long term and the pensions and other benefits the Plan pays each year are only a small proportion of its overall assets, so there has been no problem in meeting members' pensions and other benefits as they fall due.

At the time of writing, the funding level has increased during 2021 as asset values have continued to rise. We will provide a full update in next year's Plan Ahead.



## How much money does Eaton pay into the Plan?

The full funding check also looks at the cost of benefits building up in the Plan, and the Trustees and Eaton then set the Company contributions needed for the next three years.

Following the valuation, Eaton has agreed to increase its regular contributions from 1 January 2021 to 32.9% of members' pensionable earnings, and to pay an additional £9.5 million a year until 31 January 2026.

These contributions will cover the ongoing cost of benefits being built up by current active members and are expected to mean the Plan will be fully funded in early 2026.

## More information

More detail on the valuation can be found in the summary funding statement at:

 [www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk) Go to **Useful information>Plan funding**

## Track My Pension app

If you are a member with an Individual Member Account one easy way to check how your investments are doing is using the Track My Pension app.

Register on ePA and then go to the relevant app store for your phone to download the Track My Pension app.

The app enables you to compare performance between the Plan funds by week, month and years.

Why not give it a whirl?



# What changes have been made to the Plan's investments?

## Update on changes made last year

Last year we reported that the Trustees had adjusted the Plan's investment strategy by using real assets (a property fund managed by Legal & General Investment Management (LGIM), and two global infrastructure funds managed by IFM and JP Morgan). Despite the economic turmoil caused by the pandemic, all funds have got off to a good start, with positive returns since we started investing in them.

## More changes this year

The Trustees continue to work with their advisers and the Company on developing the investment strategy.

This year the Trustees made two changes to the Plan's equity portfolio following advice from their advisers and consultation with the Company:

1. The regional target split has been changed so that it no longer focuses mainly on UK equities. Instead our equity investments are now more evenly spread across UK, Europe, North America, Asia and Emerging markets to help spread risk and return.
2. To manage climate-related risks, the Plan's developed market equities were transferred from BlackRock's index tracking funds into LGIM's low carbon equity funds. Find out more in Investing Responsibly on page 8.

The Trustees also invest in bonds because they pay a regular income to the Plan. This year the Trustees bought a *buy and maintain* BlackRock bond fund to sit alongside the existing BlackRock corporate bond fund. This new fund has considerably lower fees. The Trustees expect the proportion of buy and maintain investments to increase over time as the Plan matures and has more pensions to pay.



## What lessons have been learnt from investing through a pandemic?

The coronavirus outbreak at the start of 2020 came as a big shock to all, including investment markets. Most types of assets fell significantly in value over the first quarter (except government bonds).

Since March 2020, markets have recovered strongly, boosted both by government fiscal stimulus and the rapid development and distribution of effective vaccines. Despite the severity of the impact of the pandemic, most assets produced positive returns over the year.

Such a remarkable year highlights the importance of managing risks and setting an appropriate investment strategy. With those in mind, two key takeaways from the last year are:

1. Extreme market events (often called a 1 in 20-year event) occur more often than expected. For example, over the past 20 years there have been several, including the global financial crisis and the European debt crisis. The Trustees regularly consider the effect of extreme market events on the Plan's investments and funding position. Where appropriate the Trustees take steps to remove or mitigate risks and aim to reduce investment and funding risks.
2. Spreading the Plan's investments across different types of assets proved to be beneficial. In particular, the Plan's real assets (infrastructure and long-lease property) held up well despite the economic turbulence. Although many such funds temporarily stopped trading at the height of the pandemic, it was more-or-less business as usual by the end of 2020. Overall, the performance of these assets was positive and less volatile than equities. This type of fund is expected to be an important part of the Plan's long-term strategy because these real assets generate inflation-linked returns. This helps the Plan meet its long-term obligations to pay benefits (which are also linked to inflation).



# Investing responsibly

Responsible investment, including Environmental, Social and Governance factors (ESG) is an area of increasing importance for pension schemes. The Trustees are pleased to demonstrate how seriously they take these concerns, having taken two very positive steps for the Plan.

Firstly, the Trustees consider ESG, including climate change and ethical investments, when selecting the Plan's investments. The Trustees expect their investment managers to take climate change and ESG into account and monitors them to ensure they do so.

Secondly, to reduce the Plan's exposure to climate transition risks the Trustees transferred the Plan's equities to a low carbon equity fund range managed by LGIM. This range of equity funds tracks an index that has a lower carbon footprint (by 60-70%) compared with the equivalent standard market index. Furthermore, this new range of funds aims to achieve net zero carbon emissions by 2050.

Additionally, these funds will not invest in controversial weapons or coal mines, and LGIM will disinvest from companies that do not meet its minimum standards on areas such as climate, governance, reputation and public policy.

Further climate-related regulations and disclosures are expected in the near future, and the Trustees will continue to keep ESG at the forefront of their investment decisions.





# New Implementation Statement

There is a new requirement for pension trustees, including the Plan's Trustees, to produce an annual Implementation Statement. This sets out the Trustees' adherence to the voting and engagement policies which are stated in the Trustees' Statement of Investment Principles (SIP) for the underlying investments of the Plan.

As part of this, the Trustees provide a description of their investment managers' voting behaviour (for the equity investments in particular). As the assets of the Plan are all invested in pooled funds\*, the Trustees review the investment managers and expect them to exercise their voting rights. Examples of the investment managers' voting can be found in the Implementation Statement.

The Trustees, working with their investment adviser, have prepared this year's Implementation Statement and it can be found, along with the Plan's Statement of Investment Principles, on the Plan Documents tab at:

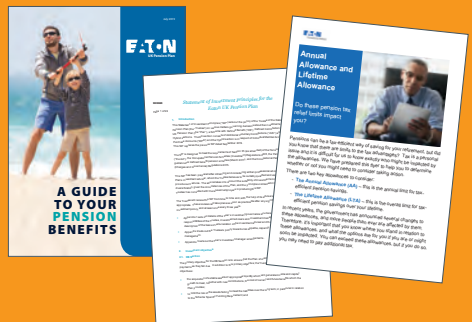
 [www.eatonukpensionplan.co.uk/eukpp/useful-information.aspx](http://www.eatonukpensionplan.co.uk/eukpp/useful-information.aspx)

\*Pooled funds are a way of combining money from many investors into a large fund spread across many investments. Investing in this way can be easier, less costly and less risky for each participant than buying shares in each individual company.

## Keeping the Plan well run: Plan documents

One part of keeping the Plan well run is reporting on its activities and finances clearly and transparently. The Trustees publish other important documents alongside the Implementation Statement on

 [www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk)



# Have you tried ePA?

Don't forget that you can now access your Plan information online using our member website, ePA.

 You can log in at [www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk) or if you prefer you can go directly via <https://epa.towerswatson.com/accounts/epa>

ePA will adjust automatically to any device, so you can access it on a laptop, smart phone or tablet, 24/7.

ePA enables you to review your pension and update your information. The information you can update depends on whether you are a pensioner, active or deferred member of the Plan. Here's a summary:

## Got a spare five-minutes:

- Add your phone numbers and email address\*
- Update your address as well (if you're a deferred member)
- View your pension at date of leaving (deferred members)

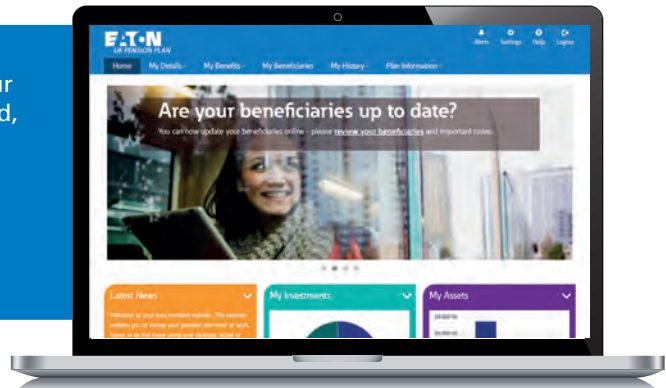
"This aid is a great tool which provides very helpful information regarding my EPP Membership details, thank you!"

## Got a bit more time:

- Review your fund balance and investment decisions (if you have an Individual Member Account)
- Review your annual Benefit Statement (where applicable)
- Protect your dependants by completing your nomination form (except pensioners who have been retired for more than five years).

\*Updating your email address will help us to contact you quickly and securely. In the future we would like to save paper by emailing Plan Ahead to you, so your email address will help us to align with our commitment to ESG.

If you have lost your user ID or password, you can request a user ID reminder or reset your Password via the ePA login page.



# Tax-free investing

Additional Voluntary Contributions (AVCs) are a tax-efficient way to save extra for your retirement. So, if you have spare cash after having paid your regular bills or feel you may not have saved enough for retirement, then AVCs could help you save more.

## How do I pay AVCs?

You pay AVCs as a fixed amount or a percentage of your monthly salary into an account which you invest. AVCs benefit from the same tax relief as ordinary contributions and have the same tax rules as well.



Go to **[www.standardlifepensions.com/eaton](http://www.standardlifepensions.com/eaton)** to find the value of your AVCs.



To start paying AVCs please contact the Plan's administrators at **[eatonpensions@willistowerswatson.com](mailto:eatonpensions@willistowerswatson.com)**

## AVC investment changes

You choose how to invest your AVCs from a range of funds provided by Standard Life. Later this year the Diversified Growth Fund in the Lifestyle option will be changed to the BlackRock ALMA fund. We plan to write to all AVC holders about the switch in September. This will happen automatically and no action is needed but we encourage you to review your AVCs options.



For more information about the AVC fund range, or to make changes to your investment decisions for your AVCs, visit **[www.standardlifepensions.com/eaton](http://www.standardlifepensions.com/eaton)**

## How can you use AVCs?

You can take your AVCs at retirement and use them in the same way as the remainder of your Plan pension benefits. You can use AVCs to buy more pension or as cash at retirement (some of which may be tax-free).

### Recap of Aeroquip-Vickers investment changes

Earlier in the year we made changes to the range of investments you can choose for your Individual Member Account. If you were affected, we wrote to you about these changes in late February.

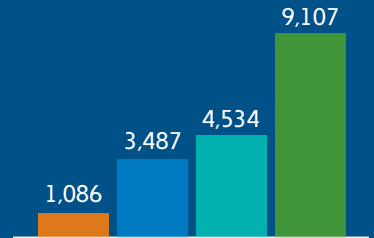
# The Plan in figures as at 31 December 2020

## Plan accounts

<b>Plan assets at 31 December 2019</b>	<b>£863.6m</b>
	+
Total contributions	+£26.3m
Change in value of investments	+£74.0m
	-
Total outgoings	-£37.4m
	=
<b>Plan assets at 31 December 2020</b>	<b>£926.5m</b>

## Plan membership

- Actives
- Pensioners
- Deferreds
- Total



You can request a copy of the Plan's accounts from the administration team (details on the back page).

## A clean bill of health

The Plan's accounts are audited by Ernst & Young LLP. Each year they conduct an independent review of the Plan's accounts.

Once again, this year they have confirmed in the Plan's Report and Accounts that our accounts show a true and fair view of the Plan's financial transactions, that the accounts have been properly prepared, and that they contain the information required by the Pensions Act 1995.



# What's GMP and does it affect me?

## What is it?

Between April 1978 and April 1997, most Plan members were contracted-out of the earnings part of the state pension and instead built up a Guaranteed Minimum Pension (GMP) as part of their pension benefits under the historical Plans.

So, if you were a Plan member during that time you will probably have a GMP. It is a 'minimum' so it mostly sits unnoticed under your Plan pension. But sometimes, if you want to retire early for example, it may limit when and how you can take your benefits.

## What is happening?

Since May 1990 schemes had to provide equal benefits to men and women. Whilst this has been done with Eaton Plan benefits, it was not clear until recently that GMPs, as an element of pension, also had to be 'equalised'.

GMPs are different for men and women in two main ways:

- Women earned GMP at a faster rate than men.
- Women can take their GMP from age 60, but men can only take their GMP from age 65.

To ensure you are not being treated unfairly, if you were in the Plan between 17 May 1990 and 5 April 1997, we will be checking your pension to see if it needs to be equalised.

## When will any adjustments be made?

The calculations are complex for most people, so it will be some time before we can tell you what the effect will be on your benefits. For many people there will be no impact, and for most members any adjustments will be small. Currently, we hope to be able to confirm any changes during 2023.



# Watch out for pension scams

Pension schemes continue to be a tempting target for fraudsters. Action Fraud received 637 reports of pension scams in 2020, of which 545 were passed on to UK law enforcement.

 The FCA website will show you how to be 'scamsmart' at:  
[www.fca.org.uk/scamsmart/how-avoid-pension-scams](https://www.fca.org.uk/scamsmart/how-avoid-pension-scams)

Here are the top three warning signs to watch out for:

## Cold calling

This is a major warning sign! If anyone calls or emails you about your pension savings, they are doing so illegally.

## Does it sound too good to be true?

If someone tells you about an investment with high returns and no risk, it's likely to be a fraud.

## Offers to release cash from a pension before the age of 55

Offers to release cash from a pension before the age of 55, with no mention of the potential tax bill for accessing your pension savings early, is a clear indication of a scam.

If you're worried or suspect anything, contact:

 [www.actionfraud.police.uk](https://www.actionfraud.police.uk)

 0300 123 2040

# Changes to the Retail Prices Index (RPI) from 2030

You may have read in the press that the Government and UK Statistics Authority have decided that the RPI will be aligned with the CPIH (consumer price inflation including owner-occupiers' housing costs) from 2030.

Some Plan pensions are linked to the RPI inflation measure and some are linked to CPI (and for some members part of their pension is linked to one and part to the other!). The Trustees will be working through the implications of this change on the benefits paid from the Plan in due course. CPI is generally lower than RPI so increases are likely to be lower. In the meantime, there is no change to how your pension will increase.

Find out more about the Plan online  
Don't forget that our website has lots of information about the Plan including the Summary Funding Statement and other useful information. You can meet your Trustees there too!



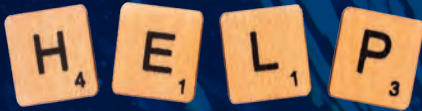
## And finally...

### Want to know more

If you have a question on your benefits, please check



[www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk)



If you need help with your pension, please contact the administration team at:

@ [eatonpensions@willistowerswatson.com](mailto:eatonpensions@willistowerswatson.com)



01707 607603



**Eaton UK Pension Plan**  
**Willis Towers Watson**  
**PO Box 545**  
**Redhill**  
**RH1 1YX**

If you email us please include your Month of Birth, Post Code and the Last Four Characters of your National Insurance Number in your email.

### Data protection

Your data is extremely important, and the Trustees are committed to protecting your data and privacy. The Plan's Privacy Notice can be found on our website too. It outlines the data we store about members to administer the Plan, as well as how we use this data.

# EATON

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