



**Response to consultation on proposed
Pension Reform relating to active
final salary members of:**

- 1) Combined Nuclear Pension Plan (CNPP)**
- 2) Magnox Electric Group of the Electricity Supply Pension Scheme (MEG ESPS)**

12 June 2017



Contents

Purpose	3
Background	3
Consultation :	
- Overview	5
- Representation	5
- Process	5
- Materials	6
Consultation responses :	
- Summary	7
- Questions & responses	8
Summary & Next Steps	18
Annex A - Employers Undertaking the Consultation	19
Annex B - Affected Members in Scope	20
Annex C - Summary of the Proposals	21



Purpose

- 1 This document sets out the NDA estate employers' collective response to the comments received through consultation on proposed reforms to the two main final salary pension schemes currently operating within the NDA estate. The employers involved in this consultation are detailed in Annex A and the schemes in scope for reform are detailed in Annex B.
- 2 The aim of this document is to respond to the main themes of feedback received. It does not, and is not intended to, respond to individual points of feedback.
- 3 The information contained within this document will be shared with Government to aid them in their decision making.
- 4 **The decision regarding proposed pension reform across the NDA estate rests with Government and does not form part of this response.**

Background to the Consultation

- 5 Government policy, led by HM Treasury (HMT), is to reform public service pension schemes, implementing recommendations made in Lord Hutton's IPSPC report in 2011. The main recommendation from Lord Hutton's report is to reform final salary, defined benefit schemes in favour of Career Averaged Revalued Earnings schemes (CARE). The aim of the policy is to make public service pensions fairer; and to put them on an affordable and sustainable footing.
- 6 Whilst unfunded pension schemes such as the Principal Civil Service Pension Scheme (PCSPS) were the priority focus of the reforms carried out through provisions made in the Public Service Pensions Act 2013 (PSPA13), funded schemes such as The Local Government Pension Scheme were also subject to reform. As such, in May 2014, HMT wrote to Departments to set out their expectation that remaining public sector final salary pension schemes should also be subject to reform, with changes implemented by April 2018.
- 7 The two final salary schemes operating within the NDA estate which are the subject of the proposed reforms are detailed in Annex B. These two schemes are in scope for reform because they include members who are still accruing benefits on a final salary basis. There are circa 11,600 active members as at 31 March 2016 who would be affected by these proposals.
- 8 With specific regard to the pension schemes in scope within the NDA estate there are members of the workforce that enjoy pensions protections pursuant to:
 - Schedule 8 of the Energy Act 2004 (the "**Energy Act**"); and/or
 - The Electricity (Protected Persons) (England and Wales) Pension Regulations 1990 (the "**Protected Persons Regulations**").



- 9 The NDA and employers have engaged in extensive, open dialogue with the trade unions and other member representatives since March 2016 on scheme designs that best meet the needs of the different workforces. The discussions took place at an estate wide level with national representatives of Prospect, Unite and GMB and included the local Aslef representative (who also acted on behalf of TSSA members).
- 10 To structure these discussions, the NDA set out Government's CARE reference scheme design for future pension scheme benefits, as detailed in Annex C.
- 11 The NDA set out the cost ceiling set by HMT and invited trade unions to put forward alternative proposals to ensure they best met the needs of the different workforces.
- 12 In light of discussions with the trade unions, consideration was given to the development of a Pensionable Pay Cap scheme and, following HMG approval to consider this option, discussions between the NDA estate and trade unions in respect of the design of potential proposals for consultation commenced in June 2016 and concluded in December 2016. The NDA employers commenced a statutory consultation period (in compliance with the requirements of the Pensions Act 2004) with affected members on the proposed options for reform, namely a CARE Reference Scheme or a Pensionable Pay Cap, on 09 January 2017, details of which are in Annex C.
- 13 Following further scheme-specific discussions between the NDA estate and trade unions during the consultation process, revisions to the initial CARE scheme design were developed. The key features of this were set out in a Joint Statement issued in March 2017 and are detailed in Annex C.
- 14 In the Joint Statement referred to above, the trade unions confirmed that they considered the revised CARE option to be the best achievable via negotiation and that they intended to seek members' views via consultative ballots which would be shared with Government to aid them in their decision making.
- 15 The employer consultation period was extended to 21 April 2017 to enable affected members to feedback on the proposed revised CARE scheme design.



Consultation Overview

- 16 On 9 January 2017, NDA employers across the NDA estate (as detailed in Annex A) commenced a period of employer consultation on proposed Government reforms to final salary pension benefits across the NDA estate.
- 17 This consultation was launched in line with the employers' duty to consult on changes that affect a pension scheme as set out in Sections 259-261 of the Pensions Act 2004; The Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 (the main regulations); and The Occupational Pension Schemes (Consultation by Employers) (Modification for Multi-employer Schemes) Regulations 2006.

Consultation Representation

- 18 Consultation was undertaken with recognised trade unions at a national level on behalf of all NDA estate employers and affected employees. The terms of reference for such consultation process were agreed by all parties which set out the aims and objectives of on-going discussions between the NDA estate and National Trade Unions.
- 19 Ten face to face consultation meetings were held with representatives during the consultation period.

Consultation Process

- 20 In addition to the consultation meetings as detailed above, a number of feedback mechanisms were established to support affected members throughout the consultation process including:
- Weekly calls with the employers to gather feedback and review the themes that were presented. Affected members were asked to share their feedback in two ways:
 - trade union members via their trade union representatives; and
 - non-trade union members to their named representative;
 - Bespoke email addresses for non-trade union members to submit feedback directly to their employer;
 - A unique pension reform consultation webpage, created to enable affected members access to key information and updates;
 - Details of the proposals under consideration, which affected members were asked to comment on;
 - A formal consultation document, which asked for views and feedback on a number of specific questions;
 - Feedback from affected members was reviewed by each employer on a weekly basis. It was then collated centrally to ensure an estate wide position was developed and was used as the basis for regular updates / FAQs:



- A total of nine consultation updates were issued and two hundred and three frequently asked questions were answered;
- Where feasible, employers across the estate conducted on site pension surgeries/roadshows.

21 The feedback received from all parties forms the basis of this Consultation Response document and this document will be shared with Government to support them in their decision making.

Consultation Materials

- 22 Formal notification of consultation was given to affected members on 6th January 2017. This was supported by a consultation pack which consisted of:
- A letter from the NDA confirming the specific consultation terms and the two specific proposals under consideration; and
 - A consultation booklet which explained the options under consideration, and included illustrations showing the potential impact of the options as well as initial questions and answers.
- 23 Following development with the trade unions of the revised CARE proposal, further information was shared with affected members on 10 March 2017 which consisted of:
- A letter from the NDA confirming the extension to consultation and the revised CARE proposal under consideration;
 - A factsheet describing the revised CARE scheme proposal (including a number of pre-emptive questions and responses);
 - Access to an online pensions calculator which enabled members to identify the potential impact of the revised CARE proposal on future pension benefits; and
 - An addendum to the original formal consultation document.
- 24 The following additional materials were also made available during the consultation period:
- Two pension videos based on the initial consultation materials were available from 23 January 2017;
 - A Pensionable Pay Cap factsheet in response to questions received was published on 21 February 2017;
 - Illustrations showing the impact of increased member contributions under the revised CARE proposal were published on 20 March 2017; and
 - A revised CARE proposal video incorporating the revised consultation materials was made available from 27 March 2017.



Summary of Responses Received

- 25 In total, the NDA estate employers received over 8000 points of feedback from affected members.
- 26 Whilst trade union members were asked to give their feedback direct to their trade union, we know that some of the responses received by the employers were from trade union members.
- 27 Of the feedback received very little specifically responded to the specific questions detailed in the formal consultation document.
- 28 Responses predominantly related to:
- The inclusion of these schemes in public sector pension reform;
 - The pension protections enjoyed under the legislation cited at point 8 above;
 - Observations that the existing schemes are no longer open to new members and are deemed, by affected members, to have already been reformed; and
 - Employees viewing the schemes as affordable and fair.
- 29 As the purpose of this consultation was to seek views on the proposals under consideration regarding how reform could be implemented across the NDA estate, and to support the affected members in their understanding of the proposals subject to consultation, the matters referred to in point 28 were addressed through the FAQ mechanism established as part of the consultation process.

Consultation Questions and Responses

- 30 The questions below were set out in the consultation documents (which were issued in January and March). These were designed to facilitate the consultation process and feedback from affected members, as well as their representatives. They were intended to provide the affected members with a “way in” to the consultation process and therefore assist them in thinking about the issues which are relevant to them as well as the benefit options which were subject to consultation. There was no requirement for members (or their representatives) to provide answers to those specific questions if they did not wish to as part of their overall response to the consultation.



Original CARE proposal

Q1a. What is your view on the proposed increase in member's contribution rate? Are there any alternative approaches you would recommend which would still generate comparable savings?

- 31 Respondents challenged the increase in contributions; suggesting that the current position should be retained or that the contribution rate should be applied equally rather than as an 'average'.
- 32 Respondents commented that the application of a contribution increase to those with transitional protection i.e. within 10 years of retirement as at March 2012 was unfair as these individuals felt that they would pay increased contributions for no personal benefit.

Response

- 33 Lord Hutton's report stated some increase in pension contributions for public service employees was needed to better meet the real costs of providing pensions. The figure of 3.2% average increase was prescribed in the Government's reference scheme and forms the basis of the cost savings identified by Government. How this would be implemented was a key element of the consultation negotiations between management representatives and trade unions, the outcome of which formed the basis of the approach identified in the revised CARE proposal detailed in Annex C.

Q1b. What is your view on the proposed approach to protection for those within 10 years of retirement? Are there any alternative approaches you would recommend which would still generate comparable savings?

Q1bb. What is your view on the proposed protection date of 31 March 2012? Are there any alternative approaches you would recommend which would still generate comparable savings?

- 34 Respondents suggested that a tapered approach to a transitional protection date would be fairer and in line with the approach taken elsewhere across the Public Sector.
- 35 Responses received in relation to transitional protection felt that the proposed protection date of 31 March 2012 should be 10 years from the point of implementation (1 April 2018) as a retrospective date reduced the duration of the protection from 10 years to 6 years.



Response

36 The way in which transitional protection would be implemented, and the date to be used, was a key element of the negotiations between management representatives and trade unions, and this resulted in the approach detailed in the revised CARE proposal. This proposal does not include provisions for transitional protection as it retains members' current normal retirement age under their relevant scheme.

Q1c. What is your view on the proposed implementation date of 1 April 2018? Are there any alternative approaches you would recommend that would still generate comparable savings?

37 Limited responses were received in relation to the implementation date and these focused on the practicalities of an implementation date of 1 April 2018.

Response

38 The implementation date of 1 April 2018 was set by HMT when they confirmed that the final salary pension schemes in NDA estate were in scope for pension reform. No fundamental issues which could prevent an implementation date of 1 April 2018 were raised in the responses received.

Q1d. What is your view on the modification to statutory protections in relation to the implementation of a CARE scheme? Are there any alternative approaches you would recommend that would still generate comparable savings?

39 Responses received focused on two areas:

- That Government would amend them; and
- Whether Government had the power to do so.

Response

40 During consultation we confirmed that implementation of a CARE scheme would require an amendment/modification to, rather than removal of, the existing statutory protections under the Energy Act 2004 and Electricity Act 1989.

41 We also advised that the impact of any amendment/modification to statutory protection would be limited to the active members of the final salary sections of the CNPP and Magnox ESPS schemes employed at Sellafield Ltd, Magnox Ltd, DSRL Ltd, LLWR Ltd, DRS Ltd and INS Ltd thus limiting the impact of these amendments to the proposed reform and the individuals in scope.



Revised CARE proposal

Q4a. What is your view on the proposal that the revaluation rate is in line with the Consumer Price Index? Are there any alternative approaches you would recommend which would still generate comparable savings?

42 No responses were received specifically relating to the proposed revaluation rate being in line with the Consumer Price Index in the revised CARE option.

Q4b. What is your view on the proposed accrual rate of 1/58th of pensionable pay? Are there any alternative approaches you would recommend which would still generate comparable savings?

43 No responses were received specifically relating to the proposed revised accrual rate of 1/58th.

Q4c. What is your view on the proposed tiered approach to increasing member's contributions? Are there any alternative approaches you would recommend which would still generate comparable savings?

Q4d. What is your view on the proposal to increase member's contributions in a phased approach as described? Are there any alternative approaches you would recommend which would still generate comparable savings over a similar timescale?

44 Mixed responses were received in relation to the tiered approach to the contribution increase. These mainly related to:

- Respondents stating it was unfair to expect higher earning members to contribute more and as such a flat increase would feel fairer.
- Respondents stating it would be fairer to members if the tiered approach matched HMRC's tax system in that the higher rate only applies to the proportion of earnings above the relevant threshold and not to total earnings.

Response

45 The proposal to have employee contributions rates tiered by salary bands is consistent with the approach followed by the main public service pension schemes, such as Alpha. The request from the trade unions during the consultation process was to limit the amount of the increase on members. Setting employee contribution rates that apply to the proportion of earnings in each, or some of the, tiers would mean that some members would face even higher contribution increases than those proposed.



- 46 In addition, the phasing of the proposed increases was negotiated by the trade unions to further limit the impact on individuals and allow additional time before the full effect of the increase was applied.
- 47 During negotiations, the trade unions positioned the proposal as a simpler and more transparent approach which would enable members to easily identify the amount their contributions would increase each month.

Q4e. What is your view on the proposal to retain the existing Normal Pension Age as per existing scheme rules? Are there any alternative approaches you would recommend which would still generate comparable savings?

- 48 Mostly positive responses were received in relation to this element of the revised CARE scheme design and no alternative approaches were suggested. Feedback shared directly from the trade unions and management representatives on this proposal were also positive.

No response required.

Q4f. What is your view on the proposed approach not to implement transitional protection for members who are within 10 years of retirement as at 31 March 2012? Are there any alternative approaches you would recommend which would still generate comparable savings?

- 49 No responses were received specifically relating to the approach not to implement transitional protection in the revised CARE proposal.



Pensionable Pay Cap proposal

Q2a. What is your view regarding the staged approach being proposed? Are there any alternative approaches you would recommend that would still generate comparable savings?

Q2b. What is your view on the proposed percentage pay caps? Are there any alternative approaches you would recommend that would still generate comparable savings?

- 50 Responses sought the rationale for having a staged approach to pensionable pay cap percentages and for the percentage levels at which the cap was proposed.
- 51 Responses also commented on the fact that these levels were not linked to inflation.
- 52 Respondents questioned whether a significant increase in inflation would result in a major adverse effect on the value of an individual's pension.
- 53 No alternative to either design element was suggested.

Response

- 54 This option was considered and developed as an alternative way to implement pension reform across the NDA estate.
- 55 The proposed staged approach and the cap percentages were designed to balance the need to meet the Government's cost saving requirements with the impact on individuals.

Q2ab. What is your view on the proposed timings of the staged pay caps? Are there any alternative approaches you would recommend that would still generate comparable savings?

- 56 No responses were received specifically relating to the timing of the proposed staged pay caps.

Q2c. What is your view on the definition of salary increases? Are there any alternatives you would recommend that would still generate comparable savings?

- 57 Respondents commented on why promotional increases were included in the pensionable pay cap option.

Response

- 58 The definitions of salary increases in this proposal were designed to meet the savings identified by Government.



Q2d. What is your view on the proposed implementation date? Are there any alternatives you would recommend that would still generate comparable savings?

59 Respondents questioned the practicality of achieving the proposed implementation date for a pensionable pay cap.

Response

60 This option, if implemented, would need to be implemented on 1 April 2017 in order to meet savings agreed with Government. It is possible for implementation of this option to be structured in such a way as to have the same effect as if it is applied retrospectively.

61 It would not require any amendments to the statutory protections currently in place as implementation would be via a change to employment terms and conditions by collective agreement with trade unions and/or individual agreement.

General points

Q3a. What is your view on the two options for consideration? Are there any alternatives you would recommend that would still generate comparable savings?

62 Respondents were of the view that the NDA pension schemes in scope have already undergone changes designed to make them more sustainable for the future as these schemes had been closed to new starters. The general view was that further reform of these schemes is unnecessary

63 Alternative suggestions put forward included:

- Implementing both the CARE and the Pensionable Pay cap option, allowing individuals the option of choosing the best approach to suit their personal circumstances;
- Offering the Alpha scheme that was available elsewhere in the Public Sector;
- A CARE scheme where the contributions and retirement ages are left the same as they are currently;
- A CARE scheme with a more generous revaluation rate ;
- Retaining existing benefits and increasing contribution levels to meet the same savings target;
- Setting an upper limit for the maximum amount of pension that could be accrued;
- Retaining the final salary element but reducing the overall benefit;
- Allowing individuals the option to move to the DC scheme currently in place across the NDA;



- Allowing individuals the option to withdraw from the scheme and re-invest in a private pension scheme;
- Removal of the 5% reduction in benefit for early retirement; and
- Incentivising individuals post NPA to retire.

Response

- 64 The alternative suggestions listed above, and other alternative options raised by the Trade Unions were explored during the consultation meetings with the National Trade Unions and Management representatives. As a result of these discussions the revised CARE option as detailed in Annex C was developed and shared with members.
- 65 The employers recognise the point that the affected pension schemes have already been subject to a degree of change and this point was raised by the Trade Unions during the consultation process. Notwithstanding this, the final salary schemes within the NDA estate remain in scope for pension reform and are required to reform by April 2018.

Q3b. Are the proposed options clear, and, if they are not, what further guidance or support would be helpful?

Q5a. Is this revised proposed CARE proposal clear or, if it is not, what further guidance or support would be helpful?

- 66 More detailed information was requested by a number of respondents including:
- Requests for a pension calculator and/or independent advice and guidance;
 - Additional information to show the impact of the proposed increase in member contribution rates; and
 - More information on the consultation process itself and specifically the role of the NDA and its employers.

Response

- 67 All such requests for further information were responded to during the consultation period.

Q3c. Are there any alternative proposals that would meet the Government's savings criteria as detailed in the information provided?

- 68 Suggestions were put forward regarding alternative ways (not linked to Pension reform) in which comparable savings could be met.



Response

69 Government's expectation is that the NDA final salary pension schemes in scope for this reform should be reformed by April 2018. Government is wholly supportive of the wider workforce reforms planned or taking place across the estate and the efficiencies these initiatives are expected to generate are already factored into our long term planning and funding arrangements.

Q3d & Q5b. Are there any additional changes not discussed in this document which should be considered?

70 No further changes in respect of the options under consultation were proposed.

Q3e & Q5c. Are there any additional issues e.g. relating to administration, equality or practical matters that need to be taken into consideration in implementing either of the proposals under consideration in this document?

71 Respondents asked whether the equality impact of the proposals had been considered and raised the following equalities points:

- The different options being proposed impact members depending on age and career prospects and the imposition of one or the other of these will result in some inequality based on age and gender
- The proposals in general seem to discriminate against working women who may want to have a career break and then progress their careers at a later time in life
- The pensionable pay cap proposal seems to discriminate against younger workers as this limits their pensionable earnings each year
- The approach to tiered contribution increases in the revised CARE proposal seems to discriminate older members of the workforce as the higher paid workers will on average be older

72 Furthermore, views that a perceived reduction in staff morale could impact safety or the delivery of existing efficiency and decommissioning plans were also expressed. Alongside such views a perception was noted that moving the normal pension age for workers in the NDA estate to the state pension age is not appropriate given the hazardous conditions that these individuals work in.



Response

- 73 All points raised were shared and discussed during the consultation and were instrumental in the negotiations with trade unions which resulted in the development of the revised CARE proposal.
- 74 The Government published (in September 2012) the Public Sector Pension Central Equalities Impact Analysis which was undertaken to inform the key changes being made to public service pension schemes. In this analysis, Government considered the (hypothetical and actual) positive and negative impacts of the common provisions that were to apply across all public service pension schemes when reformed to implement a CARE benefit structure.
- 75 In addition, an Equalities Impact Assessment (EIA) was undertaken in parallel with the consultation process to consider the equality impact of the proposals. In response to the points raised in point 71 above, the EIA states:
- The overall value of a pension depends on unique individual factors that are outside the scope of the pension scheme structure itself. These factors include: period of employment, career progression, salary and personal financial decisions. Provisions may impact on persons differently by virtue of their age and / or gender. However, the NDA does not consider that these impacts are unlawful or disproportionate.
 - Furthermore, Government found that higher earners tend to benefit disproportionately from the traditional final salary arrangements and wanted to ensure a fairer distribution of benefits across the scheme membership than is currently the case. A CARE scheme addresses the fairness gap that exists in final salary arrangements between those with flatter career paths and higher earners.
 - Although younger members will be expected to accrue proportionately less pension on a career average basis when compared with a final salary benefit over the length of their career (provided the in-service revaluation assumption is lower than the final salary assumption in the final salary scheme), it can be concluded that younger members will be more able to take on pensions risk than those closer to retirement, because they have the ability to respond to adverse outcomes. In this respect, younger members have more time to address any shortfalls in pension saving caused by a change to a CARE basis, which is considered proportionate in response to managing risk and sustainability of the schemes.
 - The introduction of CARE does not in itself create differential impacts on different groups. Whilst those with slower salary growth may benefit more than high flyers, the revised CARE proposal is considered, by the trade unions, to offer the fairest outcomes overall for members as a collective group.
 - A cap on pensionable pay has the greatest negative impact on the younger members, as they have more years of opportunity for salary increases before retirement.



Furthermore, across the NDA estate, men generally earn more than women and there is a steeper decline in salary progression for women. The introduction of a pensionable pay cap would likely have a more significant impact on men than women as their salary progression is greater.

- Member contributions would be tiered to reflect the fact that higher earners benefit from the impact of tax relief at a higher rate. The tiered approach in this proposal was developed in collaboration with trade union representatives.
- The Government has already accepted that there is a rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and employee contribution rates. In doing so, the Government aimed to ensure that there was limited impact of the changes on the level of employee contributions for low income earners.
- Pay levels generally increase with age due to career progression and thus, at an individual level, contributions may increase with age due to movement through the tier system. Despite this having varying impacts on different age groups in the NDA workforce, it is necessary to implement a progressive approach to meet the aim of maintaining the affordability of member contributions for the lower paid.



Summary and Next Steps

- 76 The NDA employers involved in this consultation wish to thank the individuals who submitted comments in relation to pension reform across the NDA estate. We appreciate the time and effort that respondents have put into considering and commenting on the issues involved. We have looked closely at all of the comments raised and have responded to the main themes in this document.
- 77 As set out above, we also acknowledge that the case for reform is not wholly supported by affected members or the Trade Unions. However, having reviewed and considered the points raised in consultation and undertaken extensive negotiations with the National Trade Unions during the consultation period, we consider that a case for change to the final salary pension schemes across the NDA estate is established in order to achieve more affordable and sustainable pension provision for the future, whilst protecting benefits which have already been accrued..
- 78 Whilst responses have been given to the points raised by respondents, we reiterate that these responses cannot and do not seek to confirm the final decision regarding how pension reform will be achieved across the NDA estate.
- 79 The outcome of the consultation process will be shared with Government to aid them in their decision making and as soon as we are made aware of the outcome of this we will provide an update to affected members.
- 80 To ensure that affected members continue to have access to all the consultation materials the consultation webpage will remain live until further notice.
- 81 We would once again like to thank everyone for the time and effort they have taken to share their feedback and raise questions during this process.



Annex A - Employers Undertaking the Consultation

- Sellafield Ltd, registered office at Hinton House, Birchwood Park Avenue, Risley, Warrington WA3 6GR, company number: 1002607.
- Magnox Ltd, registered office at Oldbury Technical Centre, Oldbury Naite, Thornbury, South Gloucestershire, BS35 1RQ, company number: 0226425.
- Dounreay Site Restoration Ltd, registered office at Dounreay Site Restoration Limited, Building D2003, Dounreay, Thurso, Caithness, Scotland, KW14 7TZ, company number: SC307493.
- Low Level Waste Repository Ltd, registered office at Old Shore Road, Drigg, Holmrook, Cumbria, United Kingdom, CA19 1XH, company number: 05608448.
- Direct Rail Services Ltd, registered office at Herdus House, Westlakes Science and Technology Park, Moor Row, Cumbria, CA24 3HU, company number: 3020822
- International Nuclear Services Ltd, registered office at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria CA24 3HU, company number: 1144352.



Annex B - Affected Members in Scope

All active final salary members of the following schemes would be covered by the change to benefits if implemented:

Combined Nuclear Pension Plan (CNPP)

The active employees of the Site Licence Companies (LLW Repository, Magnox, Dounreay Site Restoration Ltd) and NDA subsidiaries (Sellafield, Direct Rail Services, International Nuclear Services) who participate in the defined benefit, final salary structures of the CNPP.

Magnox Electric Group of the Electricity Supply Pension Scheme (MEG ESPS)

The active employees of the Site Licence Companies (LLW Repository, Magnox) and NDA subsidiaries (Sellafield, International Nuclear Services) who participate in the defined benefit, final salary structure of the MEG ESPS.



Annex C - Summary of the Proposals

1 - The key features of the **original CARE proposal** are:

- A Defined Benefit scheme;
- Benefits at retirement based on a calculation of average earnings over an individual's career and length of membership in the scheme;
- A pension accrual rate of 1/60th;
- Members able to exchange pension for cash at retirement, up to a limit, at a rate of £12 of cash for every £1 of pension foregone;
- Members' contributions would increase, on average, by 3.2% of pensionable pay;
- Normal Pension Age for the CARE pension earned from 1 April 2018 would be 65 or the State Pension Age, if later. Normal Pension Age is the age from which a member draws their pension without any reduction;
- The pensionable pay in each individual year would be adjusted for inflation, in line with the Office for National Statistics measure of average earnings for each year up to retirement or date of leaving pensionable service;
- In the same way as members of the final salary arrangement, there are benefits payable on early retirement due to ill-health, or to surviving beneficiaries as a lump sum/pension following a member's death;
- Once in payment, pension benefits accrued before 1 April 2018 increase in line with Retail Price Index. This would change from 1 April 2018 where future benefits accrued after that date would increase (once in payment) in line with Consumer Price Index;
- Individuals who are within 10 years of retirement at the protection date set by Government of 31 March 2012 would retain their final salary benefits and there would be no change to Normal Pension Age for these members. These members would however be required to increase their contributions by, on average, 3.2% of pensionable pay and their pension benefits accrued after the implementation date of 1 April 2018 would increase in line with CPI.

Final salary benefits built up prior to 1 April 2018 are unchanged and would continue to be linked to a member's final pensionable pay when they leave employment or pensionable service (if earlier).

Note – the final design of this option was subject to the consultation process.



2 - The key features of the **Pensionable Pay Cap** proposal:

A two-staged approach to a pensionable pay increase cap is proposed as follows:

- 1% pensionable pay cap for benefits accrued from 1 April 2017 until 31 March 2020
- 2.5% pensionable pay cap for benefits accrued from 1 April 2020 onwards

This includes all salary increases such as annual pay, pay progression and promotional pay.

A pensionable pay cap requires no other changes to the current final salary pension scheme therefore all other pension scheme terms would remain unchanged.

Final salary benefits built up prior to 1 April 2017 are unchanged and would continue to be linked to a member's final pensionable pay when they leave employment or pensionable service (if earlier).

Note – the final design of this option was subject to the consultation process.



3 - The key features of the **revised CARE proposal** are:

- A Defined Benefit scheme;
- Benefits at retirement based on a calculation of average earnings over an individual's career and length of membership in the scheme;
- A pension accrual rate of 1/58th;
- Members able to exchange pension for cash at retirement, up to a limit, at a rate of £12 of cash for every £1 of pension foregone;
- Members' contributions would increase, on average, by 3.05% of pensionable pay, this would be tiered and phased over a period of up to four years;
- Normal Pension Age will be unchanged i.e. this is in line with existing pension scheme
- The pensionable pay in each individual year would be adjusted for inflation, in line with the Consumer Price Index up to retirement or date of leaving pensionable service;
- In the same way as members of the final salary arrangement, there are benefits payable on early retirement due to ill-health, or to surviving beneficiaries as a lump sum/pension following a member's death;
- Once in payment, pension benefits accrued before 1 April 2018 increase in line with Retail Price Index. This would change from 1 April 2018 where future benefits accrued after that date would increase (once in payment) in line with Consumer Price Index;
- Transitional protection is not applicable with this option.

Final salary benefits built up prior to 1 April 2018 are unchanged and would continue to be linked to a member's final pensionable pay when they leave employment or pensionable service (if earlier).

Note – the final design of this option was subject to the consultation process