



Department for  
Business, Energy  
& Industrial Strategy

# NUCLEAR DECOMMISSIONING AUTHORITY: PENSION REFORM

Government response to consultation

December 2018



The consultation can be found on the BEIS section of GOV.UK:  
[www.gov.uk/government/consultations/nuclear-decommissioning-authority-pension-reform](http://www.gov.uk/government/consultations/nuclear-decommissioning-authority-pension-reform)



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Any enquiries regarding this publication should be sent to us at:  
[ndapensionreform@beis.gov.uk](mailto:ndapensionreform@beis.gov.uk)

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# Chapter One: Executive Summary

The increasing burden on taxpayers and concerns about the fairness and sustainability of public service pensions are among the reasons why the government set up the Independent Public Service Pensions Commission (the Commission), chaired by Lord Hutton of Furness, to undertake an independent review of public service pensions and to make recommendations about how pensions can be made sustainable and affordable.

Lord Hutton stated in his report that a Career Average Revalued Earnings (CARE) scheme is the fairest way of spreading the effect of change across the generations, and represents the quickest way of ending the in-built bias against those public service employees whose pay stays low over their career, inherent in final salary schemes. He went on to say that “maintaining the link to final salary for the purposes of calculating the value of a person’s accrued rights under the existing schemes will, however, ensure fair treatment for those who have built up rights in these schemes and will mean that those closest to retirement, perhaps in their 50s today, who have less time to adjust are least affected and all existing scheme members retain the link to final salary for the years they have already accrued”.

Government policy, led by HM Treasury, is to reform public sector pension schemes by implementing the recommendations from Lord Hutton’s review conducted in 2011. This resulted in the Public Service Pensions Act 2013, which reformed the majority of pension schemes within the public service. Four million public sector workers have already moved to new pension arrangements and government policy is for final salary pension schemes in the public sector to be reformed to a CARE based scheme, in line with the Public Service Pensions Act 2013. There are two final salary public sector schemes (with a total of approximately 10,160 scheme members) within the Nuclear Decommissioning Authority’s (NDA) group that are therefore within scope for reform, with estimated savings currently expected to total in the region of £200 million subject to the date of implementation.

Recognising the vital work that the NDA and its workforce delivers, the Department for Business, Energy and Industrial Strategy and the NDA worked with national trade unions in 2017 to develop an agreed pension scheme that was tailored to the characteristics of the affected NDA employees. This resulted in a proposed bespoke CARE scheme which is in line with the key principles of reforms already implemented in respect of other public sector pension schemes. The bespoke CARE scheme design (see Annex A) (referred to throughout this document as “the CARE scheme”), was formally accepted by the national trade unions following statutory consultation with affected NDA employees and a ballot of union members. The NDA are now in discussions with the national trade unions about the final details of the CARE scheme. In order to implement the proposed new pension scheme, legislative change would be necessary.

This consultation invited views from stakeholders about how government proposes to enable the Nuclear Decommissioning Authority to implement pension reform of the two pension schemes in scope: the Combined Nuclear Pension Plan (CNPP) and the SLC section of the Magnox Electric Group of the Electricity Supply Pension Scheme (MEG-ESPS).

The consultation set out:

- a) How government proposes to enable the NDA and Magnox Ltd to implement the CARE-based pension reform to the relevant sections of the CNPP and MEG-ESPS schemes, which would include:
  - Amending statutory protections;
  - Providing an employer amendment power;
  - Providing a power to allow the lead employer to make ancillary changes to ensure the scheme operates in the way envisaged; and
  - Providing a power to allow the lead employers, or another responsible person or body, to modify salary-banded contribution rates (to be confirmed).
- b) That the amended statutory protections would ensure preservation of the reformed level of pension provision in the future.

## Consultation Questions

1. What are your views on amending statutory pension protections in respect of protected employees in the Combined Nuclear Pension Plan (CNPP) and the SLC section of the Magnox Electric Group of the Electricity Supply Pension Scheme (MEG-ESPS) for the purpose of enabling the implementation of pension reforms?
2. What are your views on the proposal to provide the lead employers with an amendment power to ensure they are able to fully implement the CARE scheme agreed?
3. What are your views on the options to maintain an average member contribution rate? Do you have a preferred approach? Are there any alternative approaches you would recommend?
4. Do you agree on the need for the proposed power to allow the lead employers to make ancillary changes in order to ensure the scheme operates in the way which is envisaged? Any further views are welcome.
5. In your view are there any unintended consequences or impacts of the proposed approach to amending legislation?
6. In helping the government to meet its duty under the Equality Act 2010 to consider equality impacts of the proposed changes to the two NDA pension schemes, the government would welcome any evidence you could provide on the potential impacts of the proposed approach upon people or groups of people with protected characteristics.
7. Do you have any further comments or are there any other relevant issues that the government needs to consider before making a decision?

This document summarises the responses received to the consultation and sets out the government's proposed next steps.

## Summary of Responses

A total of 26 responses were received. Of these, 15 were from individuals including employees of the NDA and its Site License Companies (SLCs), and members of the CNPP and MEG-ESPS. Four responses were received from Pension Scheme Trustees and a further five from member representative organisations including a pension association, site stakeholder group and trade unions. The remaining responses were from industry or unknown respondents. The government is grateful to all who responded.

The majority of the respondents were not in favour of the reform of the two pension schemes, and many respondents commented that the reform would break promises made by government. However some recognised that pension reform was necessary in order to implement government policy and that the unions had accepted the CARE scheme as achieving the best outcome possible through negotiations.

A number of respondents questioned why the pension schemes identified were in scope for reform. Many respondents expressed concern that the proposed definitions and application of the proposed powers were insufficiently clear or were too broad. Many sought assurance that the powers would be restricted to implementing the reform agreed with the national trade unions. In addition, many respondents requested either member, trade union and/or trustee engagement or consent prior to the use of any power.

The Trustees for the CNPP and MEG-ESPS asked a number of questions related to practical implementation of the scheme and requested that they be given sufficient time to review the final rule amendments and implement appropriate systems and processes prior to implementation. The Trustees indicated that 12 months' notice would be necessary. One of the Trustees also requested that the NDA be obliged to consult it before making changes to the rules and/or plans under any new statutory power.

The government has considered all these views in reaching its conclusions. Detailed responses to each question are provided in Chapter Two, and Chapter Three outlines the actions that government now proposes to take.

# Chapter Two: Government Response to Consultation Comments

## Question One

**What are your views on amending statutory pension protections in respect of protected employees in the Combined Nuclear Pension Plan (CNPP) and the SLC section of the Magnox Electric Group of the Electricity Supply Pension Scheme (MEG-ESPS) for the purpose of enabling the implementation of pension reforms?**

### General Comments

The majority of respondents did not support the amendment and some commented on the divergence from promises made by a previous government to decommissioning workers at the time of privatisation. However, a number of respondents recognised that the amendment of statutory protections was necessary to implement the pension scheme reform that has been agreed with the national trade unions. Concerns were raised that these amendments might set a precedent for further reform of the statutory protections. A respondent commented that it was not clear (and inequitable) why the statutory protections could be amended for certain groups in the MEG-ESPS and not others, and some respondents commented that the relevant pension schemes were not public sector and should therefore not be in scope for reform. There was a request for further clarity on the scope and application of the proposed amendments. One of the respondents proposed enacting an entirely new set of Protection Regulations to cover the CARE scheme to ensure protections remain in place for all other protected persons not in scope.

### Government Response

Government recognises the importance of the statutory protections to pension scheme members, both those within the schemes in scope and those members of other pension schemes which also benefit from statutory protections.

The increasing burden on taxpayers and concerns about the fairness and sustainability of public service pensions are among the reasons why the then government set up the Independent Public Service Pensions Commission to undertake an independent review of public service pensions and to make recommendations about how pensions can be made sustainable, affordable and fair to both public sector workers and taxpayers. Government agreed to the recommendations of the Independent Public Service Pensions Commission and has already reformed the majority of public sector pensions

In recognition of the unique context of the NDA and the SLCs, government and the NDA worked closely with the national trade unions to develop a proposal that was tailored to the workforce. The national trade unions agreed to a bespoke CARE option which they recognised as the 'best achievable through negotiation'. However, the amendment of the statutory protections is required to implement it. The NDA had alternatively also proposed a non-legislative, pensionable pay cap option. The CARE scheme however was accepted by the

national trade unions following statutory consultation with the affected NDA employees and a ballot of union members.

**The government will therefore continue with proposals to amend statutory protections in order to implement the CARE scheme.**

Some of the respondents commented that the relevant pension schemes were not public sector and should therefore not be in scope for reform. Unfunded pension schemes (such as the Civil Service Pension scheme) were reformed as a priority under the Public Service Pensions Act 2013. Government policy is for final salary pension schemes in the public sector to be reformed to a CARE-based scheme, in line with the Public Service Pensions Act 2013. The two pension schemes in scope are therefore subject to reform because they are both final salary pension schemes and the lead employees are within the public sector as classified by the Office for National Statistics (ONS)<sup>1</sup>. **This also provides a clear rationale for why only certain groups within the MEG-ESPS are in scope for reform.**

If a new set of Protection Regulations were enacted to implement the CARE scheme, it would still be necessary to amend the current Regulations in order to address issues which could arise relating to the interaction between the two sets of Regulations. We therefore consider it to be simpler to cover all forms of protection by amending the existing Regulations rather than seeking to implement new ones. This is also consistent with the government and NDA's proposed 'keyhole-surgery' approach to limit intervention in the current statutory framework as far as possible. **The government will ensure that this reform does not amend the statutory protections which apply to membership of any other pension schemes.**

The government wishes to be as transparent as possible on the scope and application of the proposed amendments, in particular to ensure that the proposed legislation allows the Trustees and Principal Employers to take appropriate steps to implement the pension reform with as little disruption and confusion as possible.

The government's stated aims with regard to public service pensions include an objective for the reform to stand the test of time with no more reform for at least 25 years<sup>2</sup>. **Therefore the amendment of the relevant NDA statutory protections will be one-off as far as possible.** The only exception would be to maintain average member contribution rate yields at 8.2% (please see the response to Q3) and to resolve any ancillary issues (see the response to Q4). **The statutory protections will remain in place in respect of the reformed CARE scheme** to ensure that qualifying persons are put in a 'no worse' or 'no less favourable' position than the CARE scheme, as a result of involuntary transfers or the winding up of a scheme, depending on which protection the individual enjoys.

**Government policy is for the reform to apply to future accruals only. The changes will only apply to the level of benefits provided in respect of future service and contributions made towards those benefits.** Therefore, any benefits that have been earned and are linked to the final salary scheme up to the date of implementation of the CARE scheme will not be affected.

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<sup>1</sup>Further detail on the ONS classification is provided in the Government's response in Question 7

<sup>2</sup> Public service pensions: good pensions that last, page 8: <http://tiny.cc/y2raty>



**The changes apply to the Combined Nuclear Pension Plan and the SLC section of the Magnox Electric Group of the Electricity Supply Pension Scheme only.** Respondents also highlighted the need to appropriately consider the impact of transfers in and out of the CARE scheme, both in terms of those with protections, and those without them, and also the effect on companies that do not run a CARE scheme. We will consider this carefully as the proposed legislation is developed and will continue to discuss with stakeholders as appropriate.

The members affected will not lose their protected person status. The protections will remain in place at the reformed CARE level. Successor companies are required by law to honour statutory protections in place on a compulsory transfer of staff and provide a pension scheme that is 'no worse' or 'no less favourable' than the one prior to the transfer.

Benefits accrued up to the date of implementation will continue to be linked to the member's final salary on leaving pensionable service (i.e. when a member leaves the CARE scheme), rather than the salary immediately prior to the implementation of the CARE scheme.

## Question Two

**What are your views on the proposal to provide the lead employers with an amendment power to ensure they are able to fully implement the CARE scheme agreed?**

### General Comments

A number of respondents disagreed with this proposal, however some recognised that the proposal was necessary to implement the reformed pension scheme that has been agreed with the national trade unions. Many respondents had concerns about the proposal for the employers to be given a power to override the existing consent provisions and some suggested that consultation and consent should be obtained from Trustees and/or members. There were also concerns that the scope of the power might be too vague and broad and would allow the employers to bring in amendments in their interests. Further detail was requested on how the power would interact with current pension scheme amendment provisions. The Trustees were keen to ensure that the power would not be used to hinder their ability to deliver benefit promises.

### Government Response

To clarify, the amendment power would be used to implement rules to amend the CNPP and MEG-ESPS Trust Deeds free from any relevant consent requirements or law that apply to both protected or non-protected persons. **It will therefore by-pass the existing amendment provisions entirely, but only for the purpose of introducing the CARE scheme.**

However, government recognises the concerns of some respondents that a power of this sort might be inappropriately used by the employers. **Government intends as far as possible to include high level requirements for the pension scheme design in the proposed legislation to provide clarity and assurance about the scope of the reform.** Government commits to continue engagement with the national trade unions to allow as open and transparent a process as possible.

Government acknowledges that some of the respondents have a preference for consultation to take place with the Trustees and/or members prior to the implementation of reform.

**Government agrees to the NDA and Magnox Ltd undertaking consultation with the Trustees about the implementation of reform**, to seek to address practical queries on the implementation and functioning of the deeds before the amendment is made, to minimise the use of ancillary change powers.

**This power will be used on a single occasion. Following the implementation of pension reform, all consent requirements will continue to apply as usual, with the exception of the lead employer making ancillary changes and adjustments to contribution bands.**

The CARE scheme has been accepted through the NDA consultation and union members' ballot, but implementation could still be prevented under the member consent provisions. In order to ensure timely and efficient implementation **the government will proceed with the proposed approach outlined in the consultation to provide an employer amendment power.**

## Question Three

**What are your views on the options to maintain an average member contribution rate? Do you have a preferred approach? Are there any alternative approaches you would recommend?**

### General Comments

Some of the respondents disagreed with the proposals to amend contribution rates. A number however agreed that contribution rates need to be fair but there were mixed responses as to how a fair approach could be achieved. Some favoured a flat rate across all pay grades whereas some preferred the contribution rates to be tiered based on salary. Some expressed concerns that a tiered system would mean that lower take home pay might result in some scenarios, even if there were a small increase in overall pay, due to a larger increase in contribution rates. There was a request that scheme managers should issue guidance to employers on how to address issues linked to pay awards (such as promotion or pay rise) and contribution rates. Many accepted the tiered system as the fairest approach because it uses the pension tax relief system to implement the member contribution increases. It was noted in the response that the average member contribution rate of 8.2% is a key feature of the reforms that members voted on and it is important that this is maintained over time.

Whilst one respondent questioned the likelihood of fiscal drag<sup>3</sup> another respondent proposed increasing the relevant salary bands in line with the Consumer Price Index (CPI) whenever the tax bands are adjusted to inflation in order to avoid the requirement for additional powers.

If a power is required, respondents requested principles for its use, and/or a requirement to consult with unions prior to use. One of the Trustees requested that they be given sufficient

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<sup>3</sup> Due to promotion or economic factors such as inflationary wage growth over time, active members are likely to move up through the salary-banded contribution rates. This would increase the yield to the pension funds above 8.2% meaning that the average member contribution would rise by more than the 3.2% required, a phenomenon known as 'fiscal drag'.

notice to be able to administer changes in the contribution structure which would include communicating with the multiple employers responsible for amending contributions.

A Trustee queried whether sufficient time would be allowed to ensure that any required consultation could be carried out in compliance with the Occupational Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006. Another Trustee had a strong preference that the power to amend future contributions be embedded in a way that explicitly makes clear that a future exercise of the power would not be an amendment that had to be tested against the ESPS's power of amendment.

### Government Response

There seems to have been some confusion among respondents about how contribution rates are set. To clarify, contribution rates are not agreed individually within personal terms and conditions but are agreed and implemented at a pension scheme level.

Government policy is that the design of employee contributions should provide protection for the lowest paid. The proposed design was negotiated between government, the NDA and the national trade unions and tailored to reflect the characteristics of the affected NDA employees and in light of the contribution rates already in place. The national trade unions also agree that a tiered contribution rate system is the fairest approach because it uses the pension tax relief system to implement the member contribution increases. **Government therefore proposes to implement a tiered contribution rate system.**

An inherent characteristic of a tiered system is that there is an incremental increase over salary bands which may affect take home pay. Similar tiered contribution systems are in place across the public sector however providing guidance is not a common practice. **Government does not believe that it is necessary for scheme managers or the NDA to provide guidance on contribution rates and pay awards.** If desired, employees may seek appropriate independent financial advice.

**Government agrees that it is important that an 8.2% average member contribution yield should be maintained** and therefore it is necessary to ensure that there is an appropriate power in place to address fiscal drag. To achieve this the salary bands used to determine contribution rates will need to be adjusted to accommodate any future scenarios (such as inflation or promotion through the bands), which could increase the average contribution yield above, or reduce it below, 8.2%.

Government and the NDA have been holding further discussions with the national trade unions to develop a suitable proposal to ensure average contribution yields are maintained at 8.2%.

**Government agrees with the proposal to provide notice to Trustees on the use of this power. Government and the NDA will also consult further with the Trustees about the practical utilisation and implementation of the proposed power once discussions with the national trade unions have concluded including discussing the points referred to above.**

## Question Four

**Do you agree on the need for the proposed power to allow the lead employers to make ancillary changes in order to ensure the scheme operates in the way which is envisaged? Any further views are welcome.**

### General Comments

Whilst the majority disagreed with the need for the proposed power some agreed that it was necessary to overcome any unintended consequences of the reforms or to ensure that reform can be implemented as intended. A number of respondents were neutral and some raised comments regarding the practicability of implementation.

Respondents questioned whether the power was necessary given that any minor consequential changes should be subject to the current amendment provisions provided in the legislation.

Some thought the concept of ancillary was broad and vague and were concerned that it could be used to implement additional reform beyond what has been agreed. There were suggestions that if the potential changes are unknown now then they should be subject to further negotiation and the existing consent provisions.

Some of the respondents disagreed that the power should rest with the lead employers and instead suggested that a higher authority or the pension scheme administrators should have responsibility for ancillary changes.

A Trustee of the pension schemes agreed that an ancillary power would be useful but commented that its value was dependent on the practicalities of how it would be used, with a preference for the power to add detail to the Deed of Amendment by exercising a statutory power of amendment, rather than supplying a second or third Deed of Amendment. A Trustee wished to avoid having to confirm or police the validity of the use of the power and therefore requested that it be clearly scoped and the extent of interaction with pension specific legislation dealing with the exercise of amendment powers be properly addressed.

### Government Response

Respondents questioned whether the power was necessary given that any minor consequential changes should be subject to the current amendment provisions provided in the legislation. Government's intention is for reform to be implemented through the proposed legislation on a single occasion and the legislation will therefore be drafted to reflect this. However due to the complexity of the pension schemes, government has proposed a power to make ancillary changes to address unforeseen circumstances that affect the CARE scheme once it has been put into place. Because the amendment power outlined in question two (to ensure the lead employers can implement the CARE scheme) can only be used on a single occasion, this cannot be used to address unforeseen circumstances and therefore an additional power is required.

This type of change has been required in the past in respect of other reformed public sector pension schemes, such as the changes made to the Local Government Pension Scheme by

the Local Government Pension Scheme (Amendment) Regulations 2015, which clarified the approach taken in respect of “assumed pensionable pay” when members’ pay is reduced due to absences when they are not in receipt of pensionable pay and how death benefits are calculated and paid where a member has multiple categories of membership (i.e. active in one respect but deferred in respect of another period of membership).

The ancillary changes foreseen by this proposal are changes which are needed to support the exercise of the main power. It could be used for example to ensure that changes could be made to clarify any provision within the amended scheme rules or to reflect administrative practices which are adopted to implement the new benefit structure. **This would not involve any substantive amendment to the basis of benefit accrual or contribution rates.** It is not intended to allow the changes made using the main power to be reversed, or to allow the main power to be exercised a second time (for example by supplying further deeds of amendment in exercise of the same power).

Government believes that the power should rest with the Lead Employers, given it is the lead employer (Magnox Ltd and NDA) which can instigate changes to their respective schemes (subject to consent provisions). As the issue of benefit design is primarily a matter for the employer, any ancillary changes to ensure the effective implementation of those benefits should be a matter for the employer. **It is important to note that the power will not enable employers to make any substantive amendments to the basis of benefit accrual or contribution rates.**

**To clarify, government is proposing that the power will be used to add detail to the Deed of Amendment by exercising a statutory power of amendment. Government agrees that it is not for the Trustees to police changes, and government and the NDA will further discuss the proposed procedure for making any ancillary changes with the Trustees and other stakeholders as appropriate in due course.**

## Question Five

**In your view are there any unintended consequences or impacts of the proposed approach to amending legislation?**

### General Comments

Respondents raised concerns about a potential negative impact on staff retention and morale as a result of pension reform, and that changes to affected employees’ retirement plans may be required.

One respondent requested further refinement on who is in scope of the pension reform<sup>4</sup>.

The opportunity to comment on draft legislation and amending documents was requested in order to provide further detail and clarity on the proposed changes and ensure that all impacts could be understood and assessed. Another respondent requested that this was kept under review as the reform progresses.

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<sup>4</sup> Detail on the scope of reform is included in the government’s response to Q.2 and Q.7

## Government Response

Government recognises the vital work that the NDA workforce performs. Cleaning up the UK's civil nuclear legacy is a national priority for government and is no easy task. In light of this, government worked with the trade unions and the NDA to find the best solution that would bring the pensions in scope in line with the rest of the public sector but would also be tailored to the interests of the workforce affected – for instance by preserving the retirement age for workers at between 60 and 65 years of age.

We recognise the value of all workers and want everyone who has devoted their working lives in the service of the public to have the right to a fair and decent pension. The reforms being proposed across the NDA estate would still compare very favourably with the schemes provided by the vast majority of private sector employers. In addition, final salary schemes have a in-built bias to those on higher pay whereas career average tends to be a better fit for those whose opportunity for promotion is limited or whose salary is likely to remain constant during their career. To date, there is no evidence to suggest that pension reform in other parts of public sector has resulted in increases to staff turnover.

With regard to retirement planning, government policy is for reform to apply to future accruals only. Therefore any benefits that have been earned that are linked to the final salary scheme up to the date of implementation of the CARE scheme will not be affected. Those closest to retirement will therefore be least affected, whereas those who are further from retirement will have more time to adapt to changes in pension scheme design (through long-term financial planning and saving).

The purpose of this consultation was to provide an opportunity for stakeholders to comment on the proposed approach to legislation. Government commits to continued engagement with the trade unions and the scheme Trustees on the proposed reform to seek to address any unintended impacts. **Government will also share draft amending documents and Trust Deeds with Trustees and relevant stakeholders in due course with the aim of addressing any technical issues on the implementation and functioning of the deeds and amending documents prior to implementation.**

## Question Six

**In helping the government to meet its duty under the Equality Act 2010 to consider equality impacts of the proposed changes to the two NDA pension schemes, the government would welcome any evidence you could provide on the potential impacts of the proposed approach upon people or groups of people with protected characteristics.**

## General Comments

Respondents did not provide any evidence of the potential impacts of the proposed approach upon people or groups of people with protected characteristics. Some respondents commented on the potential impacts of the reforms on people with particular protected characteristics. One respondent requested a full equality analysis to be published by government.

## Government Response

The Impact Assessment and Equality Analysis would be published alongside the introduction of the proposed legislation into Parliament. Equality impacts on people with protected characteristics will be kept under continuous review as the proposed legislation and reform is further developed.

## Question Seven

**Do you have any further comments or are there any other relevant issues that the government needs to consider before making a decision?**

### General Comments

Some respondents commented that Magnox employees were a part of the private sector and should therefore not be in scope for reform.

The Trustees requested that practicability and timing was taken into consideration, including sharing the final detail on the rule amendments and benefit structure 12 months in advance of the implementation date. Specifically, it was suggested that this could be achieved by incorporating an obligation on the NDA to consult with the Trustee before implementing amendments under any new statutory power or any new power introduced by means of the exercise of any new statutory power. The Trustee also requested that NDA cover the administrative costs of implementation.

Many respondents commented on the costs and savings of the reform. Whether the cost of implementation justified the estimated savings was questioned, whereas some respondents questioned whether the savings could be found from elsewhere on the site. Clarity on the implementation date was requested.

## Government Response

During the creation of the NDA through the Energy Act 2004, Magnox Limited was established as a SLC to operate the Magnox nuclear sites. The NDA would then competitively contract the shares for the ownership and management of the SLCs to the private sector to improve on-site performance. As a result, the former workers of the public British Nuclear Fuels Ltd (BNFL) were involuntarily transferred to Magnox Ltd.

The ONS is responsible for classifying institutional units within the economy. The ONS reviewed the classification of Magnox Ltd in January 2012<sup>5</sup> and confirmed its classification of Magnox Ltd as Central Government. The ONS determines whether a body falls within the public sector by reference to objective criteria based upon whether the funding, governance, ownership and function of these bodies demonstrate that they are controlled by government<sup>6</sup>.

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<sup>5</sup> <https://tinyurl.com/yaa9frso>

<sup>6</sup> <https://tinyurl.com/y7ecb8cf>

Through contractual arrangements, Magnox Ltd receives its funding from the NDA, of which over two-thirds (£2.36bn in 2018/19) is provided by government.

In addition, the NDA announced in July 2018 that Magnox Ltd will become a direct subsidiary of the NDA from September 2019, similar to the operating model for Sellafield Ltd<sup>7</sup>. As a result, Magnox Ltd will become subject to the definitions under Freedom of Information Act, further clarifying its position within the public sector.

Government will commit to sharing the final detail on Trust Deed amendments with Trustees. Government will also provide the Trustees with as much notice as possible and will endeavour to provide notice 12 months prior to implementation as requested, to seek to address practical issues on the functioning of the deeds prior to implementation. As noted in questions two and three, the NDA will consult with Trustees prior to the use of any power to discuss the practical utilisation and implementation, however Government does not intend to include an obligation for this within the proposed legislation.

With regards to the implementation date, an April 2019 implementation date is no longer possible. Government will confirm the likely implementation date when this becomes clear.

With regards to the NDA covering the Trustee's administrative costs for implementation, government agrees that the costs can be charged to the sponsoring employers i.e. NDA, NDA's subsidiaries and SLCs.

The cost of implementation is estimated to be £4m to date, whereas the savings are estimated to be around £200m subject to the implementation date<sup>8</sup>. However the broader objective of pension reform is to make public sector pensions sustainable and fairer whilst also more affordable for the taxpayer. Therefore government policy is for public sector final salary pensions to be reformed in line with the recommendations made in the 2011 Independent Public Service Pensions Commission's report.

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<sup>7</sup> <https://tinyurl.com/ybzyartt>

<sup>8</sup> Please see Chapter 6: <https://tinyurl.com/y8c5kfo7>



## Chapter Three: Next Steps

Taking into account considerations including the views provided in response to this consultation, the outcome of the statutory workforce consultation, the acceptance of the CARE scheme by the national trade unions following a ballot of their members, and established government policy, government will now continue to develop its proposed approach to pension reform as follows:

- The NDA will continue to discuss with the national trade unions the outstanding items on the final details of the proposed CARE scheme.
- The NDA will then begin to draft the necessary rule amendments. The draft rule amendments will be shared with Trustees and other stakeholders as appropriate to seek to address any practical queries on the implementation and functioning of the deeds prior to implementation.
- Government will continue to develop the proposed legislation with the intention of introducing the measures into Parliament when parliamentary time allows.
- The intended implementation date of April 2019 is no longer possible. In light of Trustees' request to be given sufficient notice of changes to allow them to make the required changes, government will provide Trustees and pension scheme members with as much notice as possible and will endeavour to provide 12 months' notice prior to implementation, as requested. Government will confirm the likely implementation date when able to do so.

# Annex A – Bespoke Care Average Revalued Earnings (CARE) Scheme Design

<b>Benefit type</b>	Career Average Revalued Earnings
<b>Accrual rate</b>	1/58ths
<b>Lump sum</b>	Optional commutation
<b>Member contributions</b>	Average increase of 3.05% phased in over 3 years
<b>Definition of pensionable pay</b>	No change
<b>Normal pension age</b>	No change
<b>Early retirement</b>	No change
<b>In service revaluation</b>	Consumer Price Index
<b>Revaluation in deferment</b>	Consumer Price Index
<b>Pension increases</b>	Consumer Price Index
<b>Ill health provision</b>	No change
<b>Lump sum on death in service</b>	No change
<b>Spouse and partner pensions</b>	37.5% of member's pension (subject to an enhancement by reference to a proportion of pensionable service to Normal Retirement Date if the member dies in service)
<b>Indicate lifetime cost savings in comparison to the current scheme</b>	15%

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