



Department for  
Business, Energy  
& Industrial Strategy

# Energy Bill Policy Statement

Nuclear Decommissioning Authority  
Pensions Reform

December 2022



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## Summary

The Energy Security Bill was introduced into Parliament on 6 July 2022. This Bill will deliver a cleaner, more affordable and more secure energy system for the long term. It builds on the ambitious commitments in the British Energy Security Strategy to invest in homegrown energy and maintain the diversity and resilience of the UK's energy supply. ‘

An amendment to the Energy Security Bill will make provision to enable the Nuclear Decommissioning Authority (NDA) (and, in the case of the MEG-ESPS, Magnox Limited) to effect scheme-specific changes to relevant pension schemes in order to reform those schemes in a manner consistent with pension reforms introduced to public service pension schemes by the Public Service Pensions Act 2013. The Bill also provides the ability to amend certain legislation in order to enable these changes to be implemented.

This statement describes the objectives of the NDA pension reform for relevant nuclear pensions schemes. This measure will provide powers to the Secretary of State to require the NDA (and, in the case of the MEG-ESPS, Magnox Limited) to amend the provisions of the relevant nuclear pension schemes in order to introduce public service pension reform for its employees.

## Background

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. Government policy is for final salary pension schemes in the public sector to be reformed to a Career Average Revalued Earnings (CARE) based scheme, in line with the Public Service Pensions Act 2013 and over four million public sector workers have already moved to new pension arrangements.

There are two final salary public sector schemes (with a total of approximately 8000 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 benefit structure that was tailored to the characteristics of the affected NDA employees. This resulted in a proposed bespoke CARE benefit structure 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 was formally accepted by the national trade unions following statutory consultation with affected NDA employees and a ballot of union members.

A public consultation was undertaken and published in December 2018, inviting 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).

Following the public consultation, the policy outlined in paragraph 6 above was adopted.

The new measures featured in the Energy Security Bill, will enable NDA to amend pension schemes for their employees in the nuclear sector in alignment with wider changes to public sector pensions.

Neither NDA nor Magnox Limited currently have the power to amend the pensions schemes in accordance with the proposed policy. There are also certain Trustee (or member) consent requirements within the rules of the relevant pension schemes. The legislation would provide the Secretary of State with the ability to require the NDA to amend the CNPP and Magnox Limited to amend the MEG-ESPS Trust Deeds but only for the purpose of introducing CARE based pension reform. The legislation would also provide the Secretary of State with the power to make regulations about the application of, or amendments to, relevant pensions legislation in connection with the implementation of those reforms.

# Legislation

## Primary Legislation

Through the Energy Security Bill, we are bringing forward a power for the Secretary of State to make regulations (i) requiring persons with responsibility for pension schemes for public sector employees in the nuclear sector to amend those schemes in line with wider changes to public sector pensions and (ii) amending pensions legislation in connection with the amendment of those pension schemes.

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 to the scheme rules in relation to the benefit structure and adjustments to contribution bands (for the purposes of maintaining the average member contribution rate as close as reasonably practicable to 8.2%).

## Secondary Legislation

The intention is to bring forward secondary legislation which would specify the NDA as the organisation affected and provide them (and, in the case of the MEG-ESPS, Magnox Limited) with the ability to implement CARE-based pension reform across the relevant pension schemes.

Secondary legislation will be used to designate which employees in which sections of the different pension schemes will have their pensions reformed and how this will be done. Provision about the application of, or amendments to existing statutory protections which are necessary in order to be able to implement the required reform will also be contained in secondary legislation.

The possibility of pension reform for NDA employees who are covered by Scottish legislation was not included in the 2018 public consultation as there were so few of them. As such, the legislation will not provide the NDA with the ability to introduce CARE based pension reform for those employees at this time. Should Government wish to change this position it will require a full consultation and further regulations.

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