



## **Addendum on 10 March 2017**

**Consultation – on proposals for Pension Reform  
relating to active members of:**

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

**9 January 2017 – 10 March 2017**



## **Addendum to the consultation on proposals for Pension Reform document**

### **Contents**

Introduction	3
Updated information	4
Details discussion of proposed changes	5
Summary of consultation feedback points	8
Consultation responses	9
Consultation timeline	10
Next steps	10



## **Introduction**

This addendum updates the consultation document on proposals for Pension Reform relating to two current NDA final salary/defined benefit (DB) Pension Schemes and specifically sets out a number of changes to the initial consultation document.

Save for the information presented in this document all other information contained in the initial consultation document referred to below is still relevant and should be considered in conjunction with this addendum;-

***Consultation – on proposal for Pension Reform relating to active member of:***

- 1. Combined Nuclear Pension Plan (CNPP)***
- 2. Magnox Electric Group of the Electricity Supply Pension Scheme (MEG ESPS)***  
***9<sup>th</sup> January 2017 – 10<sup>th</sup> March 2017***

On 9 January 2017 the NDA and Employers across the NDA estate began a period of employer consultation, in line with statutory requirements, on Government proposals to reform the aforementioned final salary pension schemes.

Since the start of consultation the NDA, employers and National Trade Unions have met on a number of occasions to review the options under consideration and to consider, based on the feedback received from affected members during the consultation period, whether revisions could be made to the proposals or any other suitable options found that would be more acceptable to members.

These negotiations culminated in a revised CARE proposal being identified that the trade unions believe is the best outcome that is achievable by negotiation. As a result affected members were informed on 2 March 2017 that the initial consultation period which was due to end on 10 March 2017 was being extending until 21 April 2017 to allow affected members the opportunity to review the revised CARE proposal and to give feedback on this.

This document captures the details of the revised CARE proposal and the additional feedback we are seeking from members.



## Updated information

Please note all areas of revision are highlighted in the text below:

### Revised Career Average Revalued Earnings (CARE) proposal

A Career Average Revalued Earnings (CARE) scheme is a type of defined benefit pension scheme where the benefits at retirement are based upon a calculation of average earnings over an individual's career and length of membership of the scheme.

From the point at which it is implemented, members would build up a 'slice' of pension each year based on their salary in that year. Each slice of pension would be adjusted annually in line with the Consumer Price Index; this is known as the revaluation rate and ensures that accrued pension keeps pace with inflation.

The CARE scheme that is being proposed has the following key features:

- The pension accrual rate would be 1/58<sup>th</sup>;
- Members would be 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 be increased to achieve an average of 8.2%;
- The increase in members' contributions would be tiered as follows:

Pensionable Earnings	Member contribution rate
£11,000 or less	No change
£11,001 to £43,000	7%
£43,001 to £150,000	9%
More than £150,000	11%

- The increase in member contributions detailed above would be increased in equal steps over three years subject to a maximum increase in any one year of 1.0%, and, where required, a fourth year increase to achieve the levels set out in the table above.
- Normal Pension Age would be in line with existing scheme rules i.e. no change.
- The pensionable pay in each individual year for the purposes of calculating the CARE pension would be adjusted for inflation, in line with the Consumer Price Index for each year up to retirement or date of leaving pensionable service;
- In the same way as members of the current 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 as there would be no change to members' existing Normal Pension Age. Therefore all active members in the current final salary schemes identified above would move to this revised CARE proposal if this was the option chosen by Government.

***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).***



## Detailed discussion of proposed changes

### Revised Career Average Revalued Earnings (CARE) proposal

#### A. Revaluation rate in line with Consumer Price Index

Under this revised CARE proposal it is proposed that the revaluation rate (i.e. the rate at which accrued CARE pensions are adjusted up to the point you cease to be in pensionable service in the Scheme) is in line with the Consumer Price Index.

**Question 4a** – 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?

#### B. Pension accrual rate at 1/58<sup>th</sup>

Under this revised CARE proposal it is proposed that the yearly pension accrual rate will be 1/58<sup>th</sup> (this is approximately 1.724%) of an individual's pensionable pay.

**Question 4b** – What is your view on the proposed accrual rate of 1/58<sup>th</sup> of pensionable pay? Are there any alternative approaches you would recommend which would still generate comparable savings?

#### C. Tiered approach to members' contribution rate increase

It is proposed that members' contributions would be increased to achieve an average member contribution of 8.2% of Pensionable Earnings. This would be implemented in a tiered approach to reflect the different levels of individual pay. The proposed approach is broadly aligned to the current income tax brackets and means that those who are in the groups that have higher pensionable earnings would make higher contributions than those whose pensionable earnings are lower. As detailed below:

Pensionable Earnings	Member contribution rate
£11,000 or less	No change
£11,001 to £43,000	7%
£43,001 to £150,000	9%
More than £150,000	11%



**Question 4c** – 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?

**D. Phased approach to members’ contribution rate increase**

It is proposed that the increases in member contributions referred to above are implemented in a phased approach as follows:

Member contributions would be increased in equal steps over three years subject to a maximum increase in any one year of 1.0%, and, where required, a fourth year increase to achieve the levels set out in the table above.

**Question 4d** – 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?

**E. No change to existing Normal Pension Age (NPA) i.e. these remain as per existing scheme rules**

It is proposed that the current NPA’s in the existing scheme rules are retained in this revised CARE proposal. This means that there would be no change in the date at which you can current access your pension benefits without any reduction for early payment.

**Question 4e** – 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?

**F. Transitional protection not applicable as no change to Normal Pension Age**

The transitional protection considered in the original CARE proposal, for members who are within 10 years of retirement as at 31 March 2012, would not be applicable in this revised CARE proposal as there would be no change to members’ existing Normal Pension Age. As such all active members of the Defined Benefit schemes in scope would move to the revised CARE scheme from the point of implementation, if this option is chosen by Government.

**Question 4f** – 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?



**General points for review**

**Question 5a** – Is this revised CARE proposal clear or, if it is not, what further guidance or support would be helpful?

**Question 5b** – Are there any additional changes not discussed in this document which should be considered?

**Question 5c** – Are there any additional issues e.g. relating to administration, equality or practical matters that need to be taken into consideration in implementing the revised CARE proposal detailed in this addendum document?



## Summary of consultation feedback points

**Question 4a** – 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?

**Question 4b** – What is your view on the proposed accrual rate of  $1/58^{\text{th}}$  of pensionable pay? Are there any alternative approaches you would recommend which would still generate comparable savings?

**Question 4c** – 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?

**Question 4d** – 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?

**Question 4e** – 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?

**Question 4f** – 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?

**Question 5a** – Is this revised proposed CARE proposal clear or, if it is not, what further guidance or support would be helpful?

**Question 5b** – Are there any additional changes not discussed in this document which should be considered?

**Question 5c** – Are there any additional issues e.g. relating to administration, equality or practical matters that need to be taken into consideration in implementing the revised CARE proposal detailed in this addendum document?



## Consultation responses

Individuals are asked to give their responses to the questions above, and raise any additional comments or suggestions through their relevant trade union or management representative as detailed below.

Non Trade Union Members	HRD Contact Name	Email
Sellafield	Colin Reed	<a href="mailto:publicsectorpensionchanges@sellafieldsites.com">publicsectorpensionchanges@sellafieldsites.com</a>
Magnox	James Beckwith	<a href="mailto:magnox.consultation@magnoxsites.com">magnox.consultation@magnoxsites.com</a>
DRS	Charlotte Quinn	<a href="mailto:publicsectorreform.enquiries@drsl.co.uk">publicsectorreform.enquiries@drsl.co.uk</a>
DSRL	Graham Cameron	<a href="mailto:dounreay.consultation@dounreay.com">dounreay.consultation@dounreay.com</a>
LLWR	John Graham	<a href="mailto:john.p.graham@llwrsite.com">john.p.graham@llwrsite.com</a>
INS	Nicola Bacon	<a href="mailto:hr@innuserv.com">hr@innuserv.com</a>
Managers at:	Contact Name	Email
Sellafield	Colin Reed	<a href="mailto:publicsectorpensionchanges@sellafieldsites.com">publicsectorpensionchanges@sellafieldsites.com</a>
Magnox	James Beckwith	<a href="mailto:magnox.consultation@magnoxsites.com">magnox.consultation@magnoxsites.com</a>
DRS	Charlotte Quinn	<a href="mailto:publicsectorreform.enquiries@drsl.co.uk">publicsectorreform.enquiries@drsl.co.uk</a>
DSRL	Graham Cameron	<a href="mailto:dounreay.consultation@dounreay.com">dounreay.consultation@dounreay.com</a>
LLWR	John Graham	<a href="mailto:john.p.graham@llwrsite.com">john.p.graham@llwrsite.com</a>
INS	Nicola Bacon	<a href="mailto:hr@innuserv.com">hr@innuserv.com</a>
Trade Union Members	Contact Name	
Prospect	Dai Hudd or Gill Wood	
GMB	Justin Bowden	
Unite	Kevin Coyne	
ASLEF/TSSA	Colin Smith	



## Consultation timeline

Consultation begins	Monday 9 January 2017
Extended consultation ends	Friday 21 April 2017

During the consultation period there will be regular discussions with the National Trade Unions and named management representatives (as detailed on page 9) and any updated information or FAQs will be posted online at <http://tools.nda.gov.uk/pensionconsultation>. Affected members will be made aware when updates are available.

## Next Steps

At the end of the consultation period, the management representatives referred to earlier in this document will, on behalf of the employers, consider the feedback from employees and their representatives. They will then share this information, along with the outcome of the trade unions ballot, with Government to aid them in their decision making.

Once we have confirmation from Government as to how they intend to proceed we will write to let you know the detail of any changes to be made to the Combined Nuclear Pension Plan (CNPP) and Magnox Electric Group of the Electricity Supply Pension Scheme (MEG ESPS).

**Please note** - a final decision will only be made by Government following the consultation period.