



# Combined Nuclear Pension Plan

DEFINED CONTRIBUTIONS PENSIONS BULLETIN  
NOVEMBER 2012

## Chairman's Introduction

Welcome to the 2012 issue of the Pensions Bulletin of the Combined Nuclear Pension Plan.

The scheme merger between the CNPP, GPS Pension Scheme and Nirex Pension Scheme went ahead on 1 April 2012 and I would like to welcome those members from the GPS Pension Scheme and Nirex Pension Scheme to the CNPP. The CNPP now has over 17,000 members with over £1 billion funds under management and this makes the Plan one of the major players in the pensions industry.

I am extremely grateful to the Trustee Directors of all the schemes involved, their advisers and participating employers for their co-operation and support in successfully completing the merger. Everyone involved worked extremely hard to ensure that the merger protected members' benefits and that the necessary documentation was completed in time for the smooth transition of assets.

Before the merger, the CNPP Trustee agreed to put in place transitional arrangements to

allow the Member Nominated Directors of the GPS Pension Scheme to become Trustee directors of the CNPP for up to a year after the merger.

The Trustee is about to run a nomination and selection process to fill the arising Member Nominated Director vacancies. You do not need formal qualifications or specialist knowledge to become a Trustee Director. What is required is common sense, fairness, an understanding of the need for confidentiality, a willingness to learn and an enthusiasm for the role.

The active support of the membership is very important for the continued success of the Plan and even if you do not wish to stand for election as a Trustee Director, I encourage you to participate in the forthcoming election.

Financial markets over the past year have been volatile as the political leaders in the European Union take measures which they

believe will stabilise the Eurozone. Further information about market performance can be found in the Investment Report but please remember that building a pension is a long term business and it is expected that there will be ups and downs over the short term.

I hope that you will find this bulletin interesting and if you want to know more about your benefits under the CNPP please contact the Plan Administrator or go to [www.cnpp.org.uk](http://www.cnpp.org.uk)

**Tony Cooper**  
Chair of CNPP Trustee

### For more information

The CNPP website is a useful source of information about the Plan. Please visit [www.cnpp.org.uk](http://www.cnpp.org.uk)

## Membership of the CNPP

The entire membership of the CNPP as at 31 March 2011, 31 March 2012 and 1 April 2012 following the merger, is shown to the right.

The Trustee's Annual Report and Accounts for the year ended 31 March 2012 contains further information about the CNPP and this is available on the CNPP website.

Category	31 March 2011	31 March 2012	1 April 2012*
Defined Benefit Structures	11,034	10,725	11,630
Defined Contribution Structures	1,244	1,492	1,568
Deferred pensioners	1,785	1,881	2,514
Pensioners and dependants	691	929	1,321
<b>Total Membership</b>	<b>14,754</b>	<b>15,027</b>	<b>17,033</b>

\* includes members joining from GPS Pension Scheme and Nirex Pension Scheme.

## Investment Report

The global economic background was, at best, uncertain over the year to 31 March 2012. The European debt crisis was the dominant theme affecting investor sentiment worldwide for much of the 12 months. Politicians struggled to agree a suitable policy response to the Euro problems as political priorities and allegiances clashed with the needs of monetary union.

Although the Greek debt crisis dominated the headlines, concerns over growth in Government debt extended to other countries, including, Spain, Italy and even the US. Nevertheless, there were signs of economic recovery in the US, for example growth in employment in the latter half of the period; however, the recovery is patchy.

Equity markets were broadly flat over the year to 31 March 2012 (although volatile during the period), where weaker European performance was offset by stronger performance in the US.

Government bonds of countries spared the worst of the debt crisis (e.g. UK, US, Germany) fared particularly well, reflecting investors' preference for safety in 'troubled' times. Long dated UK bond yields fell to levels not seen for 60 years, whereas in contrast, bond yields in the weaker Eurozone countries moved sharply higher.

The legacy of the financial crisis remains a legitimate concern and still has the capacity to deliver 'shocks' to the system in the short to medium term. However, members should remember that, for most cases, investing for a pension requires a long term perspective and short term reactions to the ups and downs of the markets are not necessarily in their best interests. Members who are closer to retirement should consider their objectives and seek advice where required.

### Fund reports

Members can contribute to a range of investment funds in order to save for their retirement. These are shown in the table below which sets out the performance of the funds available over the 12 months to 31 March 2012.

The fund performance shown is net of annual management and administration charges and is derived from aggregated returns. Individual member returns will be dependent on the timing of investment.

For details of the Funds available for you to invest in please see your member booklet, which also set out the objectives and underlying investments in these funds to help you make a selection relevant to your personal circumstances.

For a more up-to-date performance of the funds, see the Quarterly Prudential Bulletins on the CNPP website. The Trustee reviews these funds on a regular basis.

Please note the value of all investments may fall as well as rise. Further, investments in developing or emerging markets may be more volatile than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

#### CNPP and GPS Defined Contribution Performance (12 months to 31 March 2012)

Fund	CNPP	GPS
BlackRock 50/50 Global Equity	-0.6%	-0.65%
BlackRock UK Equity	0.8%	0.65%
BlackRock World ex UK Equity	0.3%	0.25%
Prudential Index-Linked Bond Fund	20.5%	20.35%
Prudential Cash Fund	-0.2%	-0.25%
Prudential Retirement Protection Fund	22.0%	21.85%

## Advisers to the scheme

The Trustee appoints professional advisers to provide specialist guidance and regularly reviews its appointments and assesses the advice it receives.

The Trustee obtains advice on a wide range of pensions-related matters including the law governing pensions, the expected costs of funding benefits and investment of the Plan's assets. The Annual Report and Accounts must be audited by qualified Scheme Auditors.

Listed below are the current advisers:

### Scheme Actuary

Mark McClintock of Deloitte Total Reward and Benefits Limited advises the Trustee on scheme funding and carries out actuarial valuations of the Plan.

### Legal Adviser

Squire Sanders (UK) LLP provides legal advice to the Trustee on pension law.

### Investment Adviser

Hymans Robertson LLP advises the Trustee on investment strategy and the selection of Investment Managers.

### Auditor

KPMG LLP audits the Annual Report and Accounts and provides a statement as to whether or not the required contributions have been paid to the Plan.

### Medical Adviser

Medigold Health Consultancy Limited provides impartial professional medical assessments of applicants for ill-health early retirements on behalf of the Trustee.

### Plan Administrator

Babcock International Group - Pensions (formerly UKAEA Pensions Administration Office) is responsible for collecting contributions, maintaining member records, calculating and paying benefits.

## Contributions to your Investment Account

The pension contribution your employer makes to your Investment Account is a valuable part of your employment package. Your employer's contribution rate will go up as you increase your own rate.

The minimum employer contribution rate is 8% of your pensionable pay but this can go up to 13.5%. The following table shows the amounts of contributions that can be made to your Investment Account by your employer:

Member contribution rate	Employer contribution rate
3% (minimum rate)	8%
4%	9.5%
5%	11%
6%	12.5%
7% or over	13.5%

# Trustee Directors

The Combined Nuclear Pension Plan Trustees Limited (CNPPTL) is the Trustee company responsible for the running of the Plan.

In recognition of the merger with the GPS Pension Scheme, CNPPTL agreed transitional arrangements which allowed the two Member Nominated Directors of the GPS Pension Scheme to be Directors of CNPPTL for a period of up to a year, or until the next election if earlier, following the scheme merger.

The Trustee Directors of CNPPTL are:



Tony Cooper  
(Chairman)



John Bamforth



Ian Driver



Jon Ford



George Greenhalgh



David Gregory



Bernie McDonald



Jim McLaughlin



Andrew Oldham



Peter Vaughan

## Annual Report summary for the Defined Contribution Structure

	2012 £000s
Member related income	7,299
Member related payments	(343)
Net additions from dealing with members	6,956
Net returns on investments	394
Net increase in fund	7,350
Net assets at start of year	12,103
Net assets at end of year	19,453
Contributing members	1,568
Deferred pensioners	43

## Election of Trustee Directors

The Trustee's role in the stewardship of the Plan is extremely important and the Trustee remains strong from the active support of the membership of the Plan who can stand for election to become Trustee Directors.

Member Nominated Directors are selected for up to four years from the date of their appointment and if they so wish, may stand for re-nomination and selection when their period of office comes to an end.

An election will be run before 31 March 2013 to appoint two Trustee Directors to fill the vacancies arising on the board. Active and pensioner members of the Plan will receive an invitation to participate in nominations for election as a Member Nominated Director. Ballot slips will be issued shortly afterwards for active and pensioner members to cast their vote.

A further election will take place before 31 March 2014.



# Retirement Annuity Choices

Your investment funds are used to buy an annuity (after taking any tax-free cash) on retirement.

You have a choice of who provides your retirement income and you can shop around so that you can choose the annuity that best suits you. Choosing an annuity can be confusing and the Trustee has made arrangements to assist you. The Plan Administrator will explain what is available to assist you at the time you retire and have to use your investment funds to buy an annuity.

## **Impaired Life Annuities**

An 'impaired life' annuity can pay higher income to you if you have a health problem that could potentially shorten your lifespan. If you feel that you may qualify for an impaired life annuity at retirement, you should ask about impaired life annuities when shopping around or before you use your investment funds to buy an annuity.

Notice to CPS Benefit Structure members who commenced contributions after 14 May 2010

**This notice applies only to members of the CNPP (former CPS Benefit Structure) Sections; if you are a member of the GPS or Nirex Sections, please disregard this notice.**

If you joined after 14 May 2010 you are unable to use Prudential's preferential annuity service at retirement. This means that you will not be able to purchase a temporary annuity to be paid until State Pension Age (known as a State Scheme Spreading Option).

## **Future annuity choices**

The choice of annuity at retirement for all members (including members of the GPS Section) is dependent on what is available in the marketplace and it may change over time. The Trustee cannot guarantee that any particular annuity option that is currently available (including the State Scheme Spreading Option) will continue to be available in the future.

The Plan Administrator will inform members what is available at the time you retire and how to use your investment funds to buy an annuity.

# Changes to the Annual Allowance

The Finance Act 2004 introduced the 'Annual Allowance' to limit the amount of pension you can build up in any one tax year before a tax charge arises. This is based on the total amount of your pension savings over all of your pension schemes.

With effect from 6 April 2011, the Annual Allowance reduced to £50,000 and you will be expected to notify your tax office if the total increase in the value of all your benefits exceeds the Annual Allowance.

Employee and employer contributions made to your Investment Account should be used in the assessment against the Annual Allowance.

If the increase in the amount of aggregated contributions made to your pension arrangements (plus increases in the value of any other pension arrangements) exceeds £50,000, you may have to pay a tax charge and you can ask the Plan to pay that part of the tax charge applicable to your benefits under the CNPP from your benefit entitlement. This will of course, have the effect of reducing your benefits payable under the Plan.

If you are in any doubt about your tax arrangements, you should consider obtaining advice.

## Expression of Wish Form

You can name the person or people you would like to receive any lump sum payment on your death by completing an Expression of Wish form. This form tells the Trustee of your wishes and helps the Trustee with its decision when making a discretionary payment on death.

If you haven't already done so, please complete a form and return it to the Plan Administrator and keep it up to date. Forms are available from the Plan Administrator, your Employer Representative and the CNPP website.

The Trustee holds a copy of a nomination of beneficiary form you may have completed previously from your membership of the GPS Pension Scheme, but the Trustee does not have access to the nomination of beneficiary form you may have completed for your employer or another pension scheme.

## Address for the Plan Administrator

The Plan Administrator can be contacted at **Babcock International Group, Pensions, Brims House, Forss Business & Technology Park, by Thurso, Caithness, KW14 7UZ**. You can also send an email to the Plan Administrator at [benefits@ukaea.co.uk](mailto:benefits@ukaea.co.uk) or by phone on 01847 804414.

## Amendment to Scheme Rules

The Trustee has amended the rules of the GPS Benefit Structure to allow members one further opportunity to rejoin the Structure without discretion. This is an improvement to the Scheme and brings the GPS Benefit Structure in line with the CNPP.

## Changes of address

If you have moved house or are about to move house, please inform your Employer Representative. If you are a deferred or pensioner member you should contact the Plan Administrator.

## 2012 Annual Benefits Statements

Please check that the information shown on your benefits statement is correct. If you have any queries, please contact the Plan Administrator.

## Annual Benefits Statements in 2013

The Trustee intends to streamline the production of next year's annual benefits statements and expects to issue your statement in August 2013.