



Combined Nuclear Pension Plan

DEFINED CONTRIBUTIONS PENSIONS BULLETIN
AUGUST 2013

Chairman’s Introduction

Welcome to the 2013 issue of the Pensions Bulletin of the Combined Nuclear Pension Plan.

Trustee Board

The Member Nominated Directors (MNDs) election closed on 4 January 2013. Jon Ford and Ian Driver have been re-elected for four years from 1 April 2013. The terms of George Greenhalgh and John Bamforth ended on 31 March 2013 when they stepped down. I would like to thank George and John for their work as trustees. I am grateful to each of the candidates who stood for election and to everyone who voted.

The Trustee will be running a further selection process later this year to fill two Member Nominated Director posts from April 2014. 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 vote in the forthcoming election.

Plan Administrator

At the end of 2012 the Trustee’s Pension Administrators, Babcock Pensions – who are based in Thurso – were sold to Aon Hewitt. Aon Hewitt are a large pensions consultancy company who provide specialist pension administration services to a large number of schemes. Aon Hewitt have confirmed that the existing team in Thurso will continue to work on the CNPP and it is business as usual. Aon Hewitt bring a wealth of experience and the Trustee looks forward to working with them to continue to develop the service you receive.

Investment Choices Review

The Trustee is currently carrying out a review of the DC investment choices. It will be some months until that review is completed. We would welcome any feedback that you have on the investment choices, please contact the Plan Administrator in the first instance.

I hope that you will find this bulletin interesting and if you want to know more about the CNPP please contact the Plan Administrator or go to www.cnpp.org.uk

Tony Cooper, Chair of CNPP Trustee

Annual Report

The Trustee has brought forward the production of the bulletin and benefit statements to earlier in the year. That means that the bulletin is unable to include a summary of the Annual Report of the defined contribution structure, as the Annual Report is not yet available. You will be able to view this on the CNPP website from November 2013.

Address for the Plan Administrator

The Plan Administrator can be contacted at **Aon Hewitt, Brims House, Forss Business & Technology Park, by Thurso, Caithness, KW14 7UZ**

You can also send an email to the Plan Administrator at **cnpp.mailbox@aonhewitt.com** or phone them on 0845 070 2863.

For more information

The CNPP website is a useful source of information about the Plan. Please visit www.cnpp.org.uk

Membership of the CNPP

The entire membership of the CNPP as at 1 April 2012 and 31 March 2013 is shown below.

The Trustee’s Annual Report and Accounts for the year ended 31 March 2013 will contain further information about the CNPP membership, and will be available on the CNPP website from November 2013.

Category	1 April 2012	31 March 2013
Defined Benefit Structure - Employees	11,630	11,213
Defined Contribution Structure - Employees	1,568	2,272
Deferred pensioners	2,514	2,593
Pensioners and dependents	1,321	1,646
Total Membership	17,033	17,724

Investment Report

Optimism over global economic growth prospects deteriorated progressively over the year to 31 March 2013, with mixed data in the UK and much of Europe falling into recession. Although the US exhibited consistent growth, policy makers remained cautious. Initiatives taken by central banks in the US, Europe and Japan differed in nature and size. In the US, activity was principally focused on stimulating economic growth. In other regions, it was designed to counter deflationary forces.

Equity markets performed strongly over the 12 months to 31 March 2013. This positive tone contrasted with mixed developments on the economic front, continuing difficulties associated with the financial crisis and debt ‘overhangs’ in the US and Europe.

Government bonds also performed well over the period with yields continuing to fall. Inflation protected securities outperformed as inflation expectations continued to increase. Corporate bonds also performed well as investors became more willing to take on risk.

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, in the majority of 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 with shorter term horizons should consider their objectives and seek advice where required.

Fund reports

Defined Contribution 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 2013.

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

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

The fund performance shown has been estimated and is net of annual management and administration charges. Actual member returns will be dependent on timing of investment.

CNPP and GPS Defined Contribution Returns (12 months to 31 March 2013)		
Fund	CNPP	GPS
Aquila 50/50 Global Equity	17.1%	17.0%
Aquila UK Equity	16.2%	16.1%
Aquila World ex UK Equity	17.9%	17.8%
Prudential Index-Linked Bond Fund Passive	11.4%	11.3%
Prudential Cash Fund	-0.2%	-0.4%
Prudential Retirement Protection Fund	7.7%	7.5%

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

Aon Hewitt 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 contribution.

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%

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.

Trustee Board

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

Following the merger of the CNPP with the GPS Pension Scheme, CNPPTL agreed transitional arrangements which allowed the two member nominated Trustee 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 MND election held in 2012 CNPPTL has reverted to its original structure of eight Trustee Directors, made of up four employer nominated and four member nominated Trustee Directors.

From the 1 April 2013 the Trustee Directors of CNPPTL are: **Tony Cooper (Chairman), Ian Driver, Jon Ford, David Gregory, Bernie McDonald, Jim McLaughlin, Andrew Oldham and Peter Vaughan.**

A warning from the Pensions Advisory Service - Pension Liberation Fraud

“Pension loans” or cash incentives are being used alongside misleading information to entice savers as the number of pension scams increases. This activity is known as “pension liberation fraud” and it’s on the increase in the UK.

In rare cases – such as terminal illness – it is possible to access funds before age 55 from your current pension scheme. But for the majority, promises of early cash will be bogus and are likely to result in serious tax consequences.

What to watch out for –

- ! Being approached out of the blue over the phone or via text message
- ! Pushy advisors or ‘introducers’ who offer upfront cash incentives
- ! Companies that offer a ‘loan’, ‘saving advance’ or ‘cash back’ from your pension
- ! Not being informed about the potential tax consequences

Five steps to avoid becoming a victim -

1. Never give out financial or personal information to a cold caller
2. Find out about the company’s background through information online. Any financial advisers should be registered with the Financial Services Authority (FSA)
3. Ask for a statement showing how your pension will be paid at retirement, and question who will look after your money until then
4. Speak to an adviser that is not associated with the proposal you’ve received, for unbiased advice
5. Never be rushed into agreeing to a pension transfer

Be alert for offers like this and if in any doubt, take advice from a registered adviser.

If you think you may have been made an offer, contact: - **ActionFraud on 0300 123 2040**

For impartial information and guidance, visit the Pensions Advisory Service – www.pensionsadvisoryservice.org.uk

Auto Enrolment

Auto-enrolment is a requirement introduced by the Government to enrol workers automatically into a qualifying pension scheme if they are not already in one. Every employer will need to comply with the requirements. It has already started to affect the SLCs and wider NDA estate. Each employer has a different date to meet the requirement depending on its number of workers.

Almost all employees are automatically enrolled in the CNPP when they are first employed. If you choose to opt-out at any time you will have one further option to rejoin the CNPP. If you opt out for a second time you will not be allowed to rejoin the CNPP. This applies to both the DB and DC benefit structures of the CNPP. If you then wish to become a member of the CNPP again, or every three years whichever comes first, your Employer will enrol you in an alternative scheme, such as the Government’s National Employment Savings Trust (NEST).

A few employees do not have any right to join (or rejoin) the CNPP and if this applies to you your Employer will enrol you in an alternative scheme such as NEST.

The rules on re-joining the CNPP apply to all benefit structures. Previously members of the GPS Benefit Structure did not have this option. In order to bring the benefit structures in line a Deed of Amendment to the GPS Benefit Structure of the CNPP has been completed.

Election of Trustee Directors

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

Member Nominated Directors are elected 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 2014 to appoint two Trustee Directors to fill the vacancies arising on the board. All active (employee) and pensioner members of the Plan will receive an invitation to be nominated to stand for election as a member nominated director. Ballot slips will be issued shortly afterwards for active and pensioner members to cast their vote. 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.

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 a 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 and before you use your investment funds to buy an annuity.

Notice to members who commenced contributions after 14 May 2010

This notice applies only to members of the CNPP Sections; if you are a member of the GPS Benefit Structure 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 Benefit Structure) is dependent on what is available in the marketplace and it may change over time. The Trustee cannot guarantee that any particular annuity option 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.

Reduction in Annual Management Charges (AMCs) from 1 April 2013

An Annual Management Charge, which varies by fund, is levied on each fund each year and is expressed as a single percentage. This applies to your investment funds.

The Trustee negotiated lower Annual Management Charges applying to members' investment funds from 1 April 2011 for the CNPP new joiners section. These reductions do not apply to GPS Section new joiners, whose AMCs are unchanged. The Annual Management Charges will reduce again from 1 April 2013, with the exception of the Prudential With-Profits fund which remains at 1%. This means that over an extended period this will result in significant savings to your Investment Account.

The new Annual Management Charges that apply from 1 April 2013 are as follows:

Fund	1 April 2013 onwards
Aquila Global Equity (50:50) Index Fund	0.50%
Aquila UK Equity Index Fund	0.50%
Aquila World ex-UK Index Fund	0.50%
Prudential Index-Linked Passive Fund	0.50%
Prudential Retirement Protection Fund	0.40%
Prudential Cash Fund	0.50%

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 informs 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.

Please note the Trustee does not have access to the Expression of Wish form you may have completed for your employer or another pension scheme.

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.

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 pensions exceeds the Annual Allowance. The Government will be reducing the Annual Allowance further to £40,000 from 6 April 2014.

If you need to know the increase in the value of your CNPP pension benefits for the period 1 April 2012 to 31 March 2013, please contact the Plan Administrator.

If the increase in the value of your aggregated pension benefits 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 fund. 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 from a financial adviser.

2013 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.

State Pension Reform

The Government recently announced its proposal on the future changes to the state pension. The proposal is still in the process of being reviewed and changed where necessary. For the latest news on the Government's proposal you should look at the following website www.dwp.gov.uk/policy/pensions-reform.