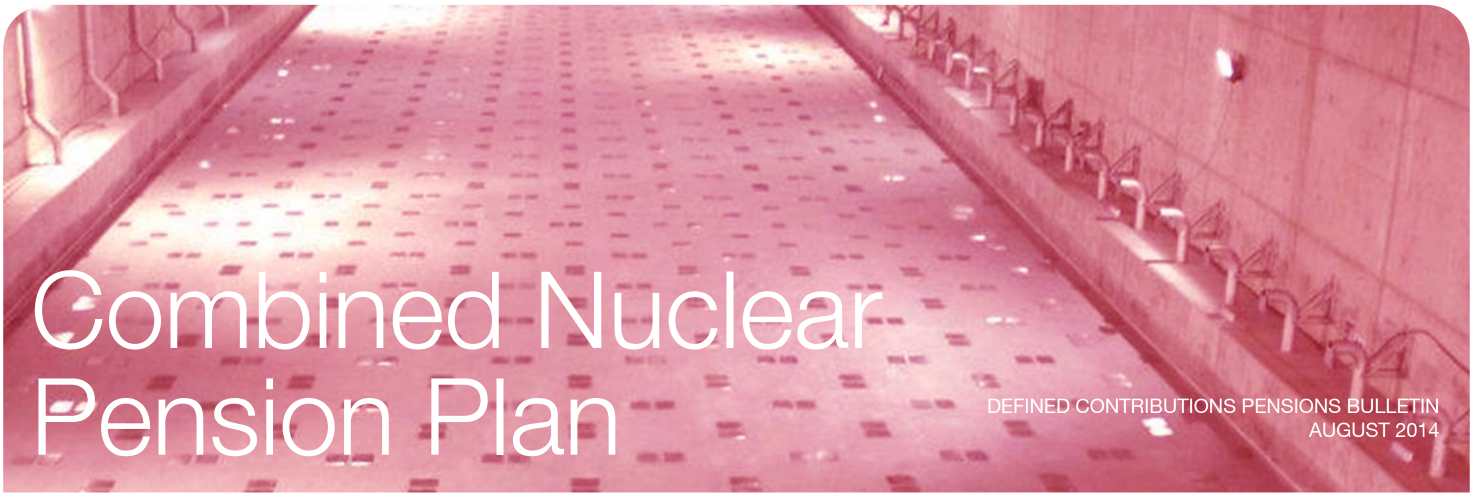

Combined Nuclear Pension Plan

DEFINED CONTRIBUTIONS PENSIONS BULLETIN
AUGUST 2014

Chairman's Introduction

As the new Chairman of the CNPP, I am delighted to welcome you to the 2014 Bulletin.

After spending 36 years with KPMG and a year as President of the Institute of Chartered Accountants in England and Wales, I joined the Board of the NDA in October 2004, chairing its Audit Committee and leaving in 2011. I am also an independent Chairman of four other pension schemes.

Tony Cooper, who has been Chairman since the CNPP was created in 2006, retired at the end of 2013. I would like to thank Tony for his service to the CNPP over the last seven years and wish him well for the future.

I am impressed by how the CNPP has grown in a few years to become a major UK pension scheme, and by the quality and professionalism of all those involved in running the scheme. I look forward to contributing to the continued success of the CNPP.

Trustee Board

The Member Nominated Directors (MNDs) election closed on 20 December 2013. Joyce Corbett was newly elected and David Gregory was re-elected for four years from 1 April 2014. The term of Bernie McDonald ceased on 31 March 2014 when he stepped down. Jim McLaughlin resigned from the Trustee Board on 31 March 2014 and has been replaced by David Vineall. I would like to thank Bernie and Jim for their work as Trustees.

I am grateful to each of the candidates who stood for election and to everyone who voted. The active support of the membership is very important for the continued success of the Plan.

Fund Delivery Service (FDS) Transition

We successfully completed the transfer of certain members' defined contribution Investment Accounts to BlackRock's platform on 3 February 2014, as planned and at no cost to any member. More information is provided later in the Bulletin.

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**

David Illingworth
Chair of CNPP Trustee

Annual Report

The Trustee has bought forward the production of the newsletter and benefit statements to earlier in the year. That means that the bulletin is unable to include a summary of the annual report, as the report is not yet available. You will be able to view the completed Annual Report on the CNPP website from November 2014.

Address for the Plan Administrator

The Plan Administrator can be contacted at Aon Hewitt, Brims House, Forss Business & Technology Park, 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.

Membership of the CNPP

The entire membership of the CNPP as at 1 April 2013 and 31 March 2014 is shown below.

The Trustee's Annual Report and Accounts for the year ended 31 March 2014 will contain further information about the CNPP membership, this will be available on the CNPP website from November 2014.

Category	1 April 2013	31 March 2014
Defined Benefit Structure - Employees	11,213	10,762
Defined Contribution Structure - Employees	2,272	3,399
Deferred pensioners	2,593	2,794
Pensioners and dependents	1,646	1,957
Total Membership	**17,724**	**18,912**

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.

Investment Report

Global equity markets performed strongly over the year. Investor confidence was supported, in the main, by record low short-term interest rates. In late May 2013, there was a distinct, if short lived, change in the prevailing bullish market sentiment, when the US central bank hinted it might begin scaling back its programme of asset purchases. Signs of a potential credit crunch in China reduced forecasts for economic growth in the Eurozone and an uncertain outlook in the UK added to the sense of unease. Equity markets responded with sharp falls, particularly in Asia Pacific and Emerging markets. In the UK, Europe and US, there was some recovery over the summer of 2013, as central banks sought to re-assure investors and to restore confidence.

In December 2013, the Federal Reserve finally announced a scaling back of its monthly asset buying program, from $85bn to $75bn a month. Whilst likely to be phased out entirely during 2014, official guidance indicated no rise in interest rates until there is clear evidence of sustainable economic growth. In contrast to US policy, the European Central Bank has provided further monetary easing through a reduction in short-term interest rates, as inflation in the Eurozone dipped below 1% p.a.

Equity and property markets performed strongly over the year to 31 March 2014 although, bonds struggled as the rally of the last few years came to an end. Government bonds struggled over the period as yields began to rise during the year, reflecting the optimism around the economic outlook. Index-linked gilts also performed poorly during the quarter as falling inflationary expectations further dampened returns. Corporate bonds were more resilient, with narrowing spreads providing a cushion against rate rises.

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 2014.

For more up-to-date returns of the funds, see the Quarterly Fund Fact Sheets 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 Fund Performance (12 months to 31 March 2014)

Fund	Performance net of fees (%)
CNPP Global Equity Fund	8.2
CNPP UK Equity Fund	8.5
CNPP Global Equity (ex UK) Fund	8.6
CNPP Index-Linked Gilt Fund	-4.4
CNPP Pre-Retirement Fund	-0.2
DC Cash Fund	0.0
BlackRock 50:50 Global Equity	7.9
BlackRock UK Equity	8.2
BlackRock World (ex UK) Equity	8.3
Prudential Index-Linked Bond Fund Passive	-4.7
Prudential Retirement Protection	-0.5
Prudential Cash	-0.4

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. If you then wish to become a member of a pension scheme, or every three years whichever comes first, your Employer will enrol you in an alternative scheme offered in the pensions market.

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 offered in the pensions market.

The rules on re-joining the CNPP applies to all sections including former members of the GPS Pension Scheme, previously GPS members did not have this option. In order to bring all the sections in line a Deed of Amendment to the GPS Structure of the CNPP has been completed.

2013 & 2014 Annual Benefit Statements

On the 2013 benefit statements a number of members' statements informed them that an Expression of Wish form was not held, this was reported incorrectly due a programming error on the administration system. The system has been corrected for the 2014 statements.

When you receive your 2014 statement please check that the information shown on your benefit statement is correct. If you have any queries, please contact the Plan Administrator.

Same Sex Marriage

A Deed of Amendment was completed in April 2014 amending the CNPP Rules so as to treat same sex spouses in the same way as civil partners are currently treated under the Rules, a copy of the Deed is available on the CNPP website.

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.

This notice applies only to members of the pre-merger CNPP Defined Contribution 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.

Future annuity choices
The choice of annuity at retirement for all members (including members of the GPS and Nirex Sections) is dependent on what is available in 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 you what is available at the time you retire and have to use your investment funds to buy an annuity.

New Fund Delivery Service (FDS)
The transfer of certain members' DC pots to BlackRock was completed on 3 February 2014, as planned and at no cost to any member.

Those who make defined contributions under the CPS Benefit Structure Shift Pay Pension Plan or CPS Benefit Structure Additional Voluntary Contributions, or the New Joiners Structure were automatically transferred to BlackRock's platform. GPS and Nirex Section members are unaffected.

This transfer was necessary because of the closure of Prudential's fund delivery platform. The Trustee selected BlackRock to replace Prudential and replicated the existing investment funds options with BlackRock. The Trustee wrote to the affected members in December 2013 to notify them of the impending change that would be done automatically during January 2014. After further negotiations by the Trustee, BlackRock agreed to meet all the members' transfer costs and so there was no cost to any member.

Annual Management Charges

An Annual Management Charge (AMC), which varies by fund, is levied on each fund each year and is expressed as a single percentage.

The new AMCs that applied to the Pre-merger CNPP Defined Contribution Section and the New Joiner Structure from 23 December 2013 are as follows:

Fund	Charges (% p.a.)
CNPP Global Equity Fund	0.51%
CNPP UK Equity Fund	0.51%
CNPP Global Equity (ex UK) Fund	0.52%
CNPP Pre Retirement Fund	0.45%
CNPP Index-Linked Gilt Fund	0.54%
DC Cash Fund	0.58%

For members of the GPS Section the following AMCs still apply:

Fund	Charges (% p.a.)
BlackRock 50:50 Global Equity	0.75%
BlackRock UK Equity	0.75%
BlackRock World (ex UK) Equity	0.75%
Prudential Retirement Protection	0.65%
Prudential Index-Linked Bond Fund Passive	0.65%
Prudential Cash	0.75%

Trustee Board

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%

Please note that the level of your contributions can be a key factor in determining the overall size of your pension fund at retirement. You may need to make higher contributions to meet your retirement income needs.

A warning from the Pensions Advisory Service - Pension Liberation Fraud

Companies are singling out savers like you and claiming that they can help you cash in your pension early. If you agree to this you could face a tax bill of more than half of your pension savings.

"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.

Tax charges of over half the value of your pension could fall on you for taking an 'unauthorised payment' from your pension fund in this way. In addition, fees deducted from your pension for transfers are unlikely to be recovered. Such fees tend to be very high and could be 20% or more of your pension savings in some cases.

Most of the time, people targeted by pension fraudsters or scammers are not informed of the potential tax consequences involved.

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 Conduct Authority (FCA)
3. Ask for a statement showing how your pension will be paid at your normal retirement date, whether there are any tax charges, and question who will look after your money until you retire and draw your pension
4. Speak to an adviser that is not associated with the deal you've been offered, 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. Watch the video on the pensions advisory service website.

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**

New CNPP Website

A new look CNPP website has recently been launched by the Trustee and it includes information, documents and announcements about the benefits available to every member of the Plan.

The website enables you to access the type of benefit structure applicable to you and many of the pages have links to useful documents and other websites where further information can be found.

You can even use the website to contact the Plan Administrator to ask about your membership of the Plan. Please have your CNPP member reference number to hand when contacting the Plan Administrator. Your CNPP member reference number can be found on your annual benefit statement or any other correspondence you may have received from the Plan Administrator.

Please visit the CNPP website at **www.cnpp.org.uk**

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 nomination of beneficiary form you may have completed for your employer.

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 2014, the Annual Allowance reduced to £40,000 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.

If you need to know the increase in the value of your CNPP Pension benefits for the period 1 April 2013 to 31 March 2014 please contact the Plan Administrator. If the increase in the value of your aggregated pension benefits exceeds £40,000 (e.g. because of a promotion or enhancement to pensionable service), 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 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 an independent financial adviser.

Changes to the Lifetime Allowance

You can save as much as you like towards all of your pension rights but there is a limit on the amount of tax relief you can get. The lifetime allowance is the maximum amount of pension saving you can build up over your life that benefits from tax relief in all of your pension schemes. If you build up pension savings worth more than the lifetime allowance you'll pay a tax charge on the excess.

The lifetime allowance from 6 April 2014 has reduced to £1.25 million. Even following this reduction, most people won't have to pay the lifetime allowance charge.

Your annual benefit statement shows the value of your benefits under the CNPP expressed as a percentage of the HMRC Pension Lifetime Allowance (LTA) as at 31 March 2014, this will be based on the previous LTA of £1.5m.

More information on how the lifetime allowance may apply to you can be found on the HM Revenue & Customs website.