



Combined Nuclear Pension Plan

Chairman's Introduction

I am delighted to welcome you to the 2018 Combined Nuclear Pension Plan (CNPP) Pensions Bulletin.

We have once again combined the Defined Benefit (DB) and Defined Contribution (DC) Bulletins into one document. To highlight the areas that may be of most relevance to you we have signposted the content:



DC member



DB member

A number of changes to the Trustee Board have happened over the year. David Illingworth left the Trustee board on the 31 December 2017 after serving as the Chairman since 2014. On 31 January 2018 Joyce Corbett resigned and on 1 April 2018 David Gregory and David Vineall completed their terms of office and left the Board. We are grateful to David for his many years as Chairman to the CNPP and to David, Joyce and David for their years of service as a Trustee to the CNPP.

I joined the Trustee board and took over as Chairman from the beginning of 2018. There have also been three other new Trustees since then, Philip Greene, Frank Rainford and Claire Toole. My fellow Trustees welcome and look forward to working alongside Philip, Frank and Claire.

Allan Whalley
Chairman of the CNPP Trustee

Trustee Board

Please join the Trustee board in welcoming your new Trustees Allan, Philip, Frank and Claire to the Board. Your CNPP Trustee Directors are:

- Allan Whalley (Chairman)
- Philip Greene
- Ingrid Kirby
- Nigel Lowe
- Mike Roberts
- Frank Rainford
- Claire Toole
- Audrey Uppington
- Andrew van der Lem

Meet the new Directors

Allan Whalley was appointed as an Independent Trustee and took over as chairman from 1 January 2018. He has worked in the Pensions industry for nearly 40 years in a variety of pension scheme management roles including Cadbury and Smiths Group. More recently he has worked as an independent Trustee and chair for a number of large and small pension schemes.

Philip Greene was elected as a member nominated director at the end of last year and took up his appointment from 1 February 2018. He currently works at Springfield Fuels and he has worked in the nuclear industry for over 33 years. As a member of UNITE he has served on the branch committee as a pensions officer and has also undertaken a number of pension courses over the years.

Claire Toole was elected as a member nominated director at the end of last year and took up her appointment from 1 April 2018. She is the Employee Benefits Manager based at Sellafield Limited and has a wealth of pensions experience gained on the employer side going back to 2000 and was the Pensions Officer at the time Sellafield joined CNPP in 2008. She is also a member of the Chartered Institute of Personnel & Development and Chartered Institute of Payroll Professionals.

Frank Rainford was appointed as a new Employer Nominated Director from 1 April 2018. He is the NDA's Head of Portfolio Management Office. Prior to joining NDA he held Executive Director and Management Director roles with GE Aviation and BAE Systems.

CONTACT US:



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cnpp.org.uk



Change of Administrator

In 2017, Aon Hewitt Ltd, the administrator for all sections of the Plan, except Nirex, informed the Trustee Board that they were withdrawing from the pension administration market for administration only clients on 31 March 2019. Since June 2017, Equiniti has assisted Aon Hewitt's office in Forss under a sub-contract.

The Trustee Board has started public procurement processes to appoint new administrators for the DB and DC sections of the CNPP. It is expected that decisions will be made in autumn 2018 for both sections and you will be informed of the changes in due course.



GPS EnergySolutions buyout

In the 2017 newsletter we mentioned the potential buyout of the GPS EnergySolutions section. Over the last 12 months, the Trustee and EnergySolutions LLC have been working together to secure the liabilities of the section with an insurer. This process is ongoing and the Trustee expects the section to be wound up within the year. All affected members will receive their full level of benefits and will be communicated to once the process is complete.



Common Investment Platform for the Plan's assets

Over the past couple of years, all sections of the Plan (with the exception of GPS EnergySolutions) transferred their assets to a "Common Investment Platform" which is managed by State Street, one of the world's largest custodians. The Common Investment Platform is split into a Growth Fund and a Bond Fund.

The investments within the Growth Fund are expected to provide a higher rate of investment return, whereas the Bond Fund should provide more stable returns whilst attempting to match the changes in the value of the liabilities.

The allocation of each section's assets to the Growth Fund and the Bond Fund varies depending on a section's investment strategy. This information is set out in the table below, alongside the overall investment return over the 2-year period to 31 March 2018.

| Section | Closed | Magnox | LLWR | Sellafield | DSRL | Spring-fields 2 | GPS - DRS | GPS - SLC | GPS – Nexia | GPS – WEC | Nirex |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| Growth Fund | 55% | 80% | 85% | 85% | 85% | 45% | 70% | 70% | 50% | 40% | 50% |
| Bond Fund | 45% | 20% | 15% | 15% | 15% | 55% | 30% | 30% | 50% | 60% | 50% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Return since 31 March 2016 | 23.8% | 23.4% | 23.5% | 24.0% | 23.5% | 22.8% | 24.6% | 23.8% | 23.0% | 22.5% | 23.7% |

As noted above, EnergySolutions LLC is considering a buyout out of the liabilities and the GPS EnergySolutions Section is currently invested in a low-risk investment strategy of 100% UK government and corporate bonds. The investment return for this Section has been 20.2% over the 2-year period to 31 March 2018.



Annual Allowance and Lifetime Allowance

The 'Annual Allowance' places a limit on the total amount of contributions that can be paid into defined contribution pension schemes and the total amount of benefits that can be built up in defined benefit pension schemes each year for tax purposes. The current Annual Allowance is £40,000, however if you have already started to draw a pension a lower limit of £4,000 may apply.

The Annual Allowance is calculated differently between the Defined Benefit and Defined Contribution sections of the Plan and further details are given in your Annual Benefit Statement. If you exceed the Annual Allowance you will be subject to additional tax.

If you are liable for a tax charge you may ask the Plan to pay that part of the charge that is applicable to your CNPP benefits by way of a deduction from your benefits. If you have any doubts about your tax position, please obtain independent financial advice.

You can save as much as you like towards your pension but you will only receive tax relief up to the Lifetime Allowance. This is the maximum amount of pension savings you can build up over your life in all of your pension schemes. If your pension savings are above the current Lifetime Allowance of £1.03 million you will pay a tax charge of up to 55% on the excess above that limit.

The percentage used up of your Lifetime Allowance to date as a member of the CNPP is shown on your Annual Benefit Statement.

You can find more information on how the Lifetime Allowance may apply to you on the HMRC website (hmrc.gov.uk). Alternatively, you may wish to discuss your pension matters with your own professional adviser. If you do not already have an Independent Financial Advisor you can find one at unbiased.co.uk or moneyadviceservice.org.uk/directory.



Pension Increase 2018

The increase applied in April 2018 to pensions in payment, in excess of any Guaranteed Minimum Pension element was 3.9% for the CPS and GPS Benefit Structures and 4.1% for the Nirex Benefit Structure. These amounts differ as the different structures do not use the same dates to calculate inflation.



Annual Management Charges

Current Annual Management Charges (AMC) applying to new joiners can be found in the DC Investment Guide. For Shift Pay members, AMCs can be found in the Shift Pay Pension Plan Investment Guide. For AVC members, AMCs can be found in the Additional Voluntary Contributions Investment Guide. For GPS Section DC members, AMCs can be found in the GPS Investment Guide.

All of the above guides are available on the CNPP website where you can all find further information on all of the available funds.



cnpp.org.uk/document-library

The total AMC comprises a separate charge for each of the administration and investment management of your account. The administration charge applied to your account will be explicitly set out in your annual benefit statement. The investment management fee is levied separately and will be reflected in the total value of your Investment Account.

In April this year the charges were reduced by a further 0.035% across the majority of funds.



Investment performance information

For members who hold defined contribution investment accounts, Quarterly Fund Factsheets are available on the website providing up-to-date information on the performance of individual funds:



cnpp.org.uk/defined-contribution-dc/fund-factsheets/

Please refer to the investment guides to better understand the funds in which you are currently invested and those available to you. The below table illustrates the performance as at 31 March 2018 of some of the default funds available for an example member with a retirement date in 10 years' time. Please note that this may not be the funds you are invested in.

| Fund | Standardised yearly fund performance (% p.a.) | | |
|--|---|--------|---------|
| | 3 months | 1 year | 5 years |
| BlackRock DC LifePath Flexi 2028-2030 | (2.4%) | 4.8% | 5.5% |
| BlackRock LifePath Capital 2028-2030 | (2.4%) | 4.7% | 5.5% |
| BlackRock DC LifePath Retirement 2028-2030 | 3.8% | 11.1% | 7.0% |

Please note that the value of investments can fall as well as rise and past performance is not a guide to future investment returns. The negative figures shown above indicate fund values for two funds fell over a 3 month period, although they are positive over the longer periods.



Pension Wise

The Government's free and impartial service called Pension Wise, aimed at helping individuals to understand retirement choices, is available online, over the phone or face-to-face.

Members holding DC investment accounts are directed to visit the website at: pensionwise.gov.uk or, alternatively, you can call 0300 330 1001 to make an appointment.

If you do not have a professional adviser, you can find your own Independent Financial Adviser at:



unbiased.co.uk or at moneyadviceservice.org.uk



Pension Scams

The introduction of the Pensions freedom flexibilities in April 2015 has increased concern over the number of scheme members who are targeted by unscrupulous companies who convince them to transfer their funds to inappropriate arrangements but do not make them aware of the risks involved.

The Pensions Ombudsman received over 200 complaints relating to pension scams last year, making it the most common issue referred to the service.

The Pensions Advisory Service had released advice on how to protect your pension from scams, including:

- If you are approached randomly, be wary. Usually reputable companies do not make unsolicited calls.
- Check the Financial Conduct Authority register to make sure an advisor or company is registered. You can find the register at the following website: fca-consumer-credit-interim.force.com
- Do not rush into making a decision and make sure you read all paperwork properly.
- Ring the Pensions Advisory Service if you have any concerns on 0300 123 1047.

The Pensions Regulator has released an updated guide, "Scammed out of his retirement. Don't be next" which can be downloaded from: pensionsregulator.gov.uk



Advice Requirements for transfers

For members with benefits with a capital value of over £30,000, it will be necessary for you to obtain advice before you can transfer your benefits to another pension provider. The CNPP will then ask you to confirm that you have received the advice.



A timely reminder

Expression of Wish

Plan members have a facility, called an 'Expression of Wish', to inform the Trustee of the name of a person or persons to whom they would wish any lump sum benefit to be paid in the event of their death. You can obtain a form from the CNPP website, Plan Administrator, or Employer Representative:



cnpp.org.uk and search for "Expression of Wish".

Return your completed Expression of Wish forms to the Plan Administrator.

Plan Administrator

Your first point of contact is Aon Hewitt at:



cnpp.mailbox@aon.com

Aon Hewitt, Benefits Administration, Brims House, Forss Business & Technology Park, Thurso KW14 7UZ



0345 070 2863

Members of the Nirex section should contact Barnett Waddingham at: Nirex@Barnett-Waddingham.co.uk or Barnett Waddingham, St James's House, St James Square, Cheltenham, Gloucestershire, GL50 3PR



Funding of the Plan

Every three years the Trustee carries out full actuarial valuation for all sections of the CNPP. A full actuarial valuation assesses whether the Plan has sufficient assets to meet the value of the benefits accrued up to the valuation date (known as the liabilities) and determines the contribution rate the employers need to pay in respect of future accrual of benefits. If the full actuarial valuation of any section of the Plan has lower assets than the liabilities, then an agreement between the Trustee and the respective employer is made to eliminate this shortfall.

CNPP completed a full actuarial valuation of the Plan's assets and liabilities as at 31 March 2016. The next actuarial valuation will take place on 31 March 2019 with the results expected by 30 June 2020.

Following the 31 March 2016 actuarial valuation, the Trustee agreed a Schedule of Contributions and if necessary, a Recovery Plan, with the respective employer to each section. These two documents set out the contributions the employers will pay to meet the ongoing contributions for the accrual of benefits and any extra contributions payable to remove any deficit.

Between each valuation, it is necessary for the Trustee Board to complete an update of the funding position on the anniversary of the valuation date, i.e. at 31 March 2017 and 31 March 2018.

In the period between 31 March 2016 and 31 March 2018, financial markets were volatile due to political uncertainty surrounding events such as Brexit and the US Presidential elections. Most sections did suffer deterioration in their funding level despite high investment returns on the Plan's assets. This deterioration was due to falls in interest rates on UK government bonds that placed a much higher value of the Plan's liabilities. However, as the Trustee's timeframe is long-term, short-term variations in the funding level should not be a concern to members. If the results of the 31 March 2019 show a shortfall, then the Trustee will negotiate a new recovery plan with the employers.

The reports setting out the results of the actuarial valuation as at 31 March 2016 and the updated position as at 31 March 2017 can be found in the 'Document Library' section of the member website. The reports for the 31 March 2018 funding update will be available later in the year.

| Section | Closed | Magnox | LLWR | Sellafield | DSRL | Springfields 2 |
|-----------------------------------|--------|--------|-------|------------|--------|----------------|
| Valuation at 31 March 2016 | | | | | | |
| Assets (£ms) | 83.1 | 81.7 | 13.4 | 855.6 | 64.8 | 92.8 |
| Liabilities (£ms) | 81.7 | 82.7 | 13.6 | 881.4 | 69.6 | 102.8 |
| Surplus (shortfall) (£ms) | 1.3 | (1.0) | (0.2) | (25.8) | (4.8) | (10.0) |
| Funding level | 102% | 99% | 99% | 97% | 93% | 90% |
| Update at 31 March 2018 | | | | | | |
| Assets (£ms) | 99.2 | 109.1 | 19.7 | 1,216.8 | 93.1 | 144.0 |
| Liabilities (£ms) | 97.8 | 116.5 | 23.0 | 1,441.3 | 111.3 | 161.0 |
| Surplus (shortfall) | 1.4 | (7.4) | (3.3) | (224.5) | (18.2) | (17.0) |
| Funding level | 101% | 94% | 86% | 84% | 84% | 89% |

| Section | GPS - DRS | GPS - SLC | GPS – Nexia Solutions | GPS – WEC | Nirex | GPS - EnergySolutions |
|-----------------------------------|-----------|-----------|-----------------------|-----------|-------|-----------------------|
| Valuation at 31 March 2016 | | | | | | |
| Assets (£ms) | 59.1 | 533.9 | 3.9 | 41.2 | 29.5 | 26.5 |
| Liabilities (£ms) | 56.0 | (489.7) | 3.8 | 44.0 | 32.8 | 35.9 |
| Surplus (shortfall) (£ms) | 3.1 | 44.2 | 0.1 | (2.8) | (3.3) | (9.4) |
| Funding level | 106% | 109% | 102% | 94% | 90% | 74% |
| Update at 31 March 2018 | | | | | | |
| Assets (£ms) | 77.2 | 648.9 | 4.8 | 49.8 | 35.1 | 31.4 |
| Liabilities (£ms) | 81.3 | 606.1 | 4.8 | 55.9 | 38.0 | 40.3 |
| Surplus (shortfall) (£ms) | (4.1) | 42.8 | (0.1) | (6.1) | (2.9) | (8.9) |
| Funding level | 95% | 107% | 98% | 89% | 92% | 78% |



Employer contribution changes

Following the 2016 actuarial valuations a number of changes to the employer contribution rates were agreed in accordance with the funding plans for each Section. The deficits in some sections meant additional contributions were required by the employers, whereas for other sections the investment performance is expected to remove the deficit by 1 April 2018. The details of the employer contributions relating to the future accrual of benefits and removing any deficits are set out below. In addition to the contribution rates below, members contribute 5% of their Pensionable Earnings.

| Section | Previous contribution rate (% of Pensionable Earnings) | Contribution rate from 1 April 2018 (% of Pensionable Earnings) | Details of additional contributions to remove any deficit |
|-----------------------|--|---|---|
| Closed | - | - | - |
| Magnox | 23.8%/25.7%* | 25.8% | - |
| LLWR | 23.3% | 23.6% | - |
| Sellafield | 22.0% | 25.2% | - |
| DSRL | 22.7% | 25.3% | £400,000 per annum until 31 March 2028 |
| Sringfields 2 | 28.8% | 35.9% | £1,400,000 per annum until 31 March 2023 £20,833 per month in respect of the benefits that retain a salary link to benefits in CPS and the Closed Section. |
| GPS – DRS | 24.1% | 28.8% | - |
| GPS – SLC | 28.7% | 25.0% | - |
| GPS – Nexia Solutions | 33.8% | 37.0% | - |
| GPS – WEC | 31.5% | 39.2% | £550,000 per annum until 30 June 2023 |
| Nirex | - | - | £556,000 per annum until 31 March 2022 |
| GPS - EnergySolutions | - | - | £2,000,000 per annum until 30 June 2022 |

*this future service contribution rate applied to those members who were part of the RSRL section prior to the merger with the Magnox section.

For the majority of the Sections, the employer contribution rates increased from 1 April 2018. The Trustee agreed the employer contribution rates for some sections (Springfields 2, GPS DRS, GPS WEC and GPS Nexia Solutions) would change at an earlier date, i.e. 1 July 2017.

The Closed, Nirex and GPS EnergySolutions Sections no longer have any active members and the respective employers are not required to contribute towards the future accrual of benefits.

The employers for the Springfields 2 and GPS WEC sections contributed an extra £5,475,000 and £350,000 respectively during September 2017 to help reduce the shortfalls in each section.



Keeping your data safe

The General Data Protection ("GDPR") came into force on 25 May 2018. GDPR replaces the Data Protection Act and contains more specific requirements for the use and protection of data.

As the Trustee of the Plan, we hold certain information on you which is required to administer the Plan and pay your benefits. The Trustee, as data controller for the Plan is required to provide you with specified information about the personal data we hold about you, how we use it, and the safeguards that are in place to protect it.

The Trustee issued its privacy notice during May 2018 to provide you with further details on how it complies with GDPR and a copy of this document is available on the member website at: cnpp.org.uk



Annual Report and Accounts

The Trustees' Annual Report & Accounts as at 31 March 2018 will be completed later in the year. From November 2018 the accounts will be available on the CNPP website or you can request a copy of the document by contacting the Plan Administrator. You will be able to find a copy of the investment report and the Chair's Statement, detailing costs and charges information in relation to DC funds, within the published Annual Report at: cnpp.org.uk



Scottish tax rate changes

Changes from 6 April 2018 mean that income tax rate bands for Scottish tax payers differ from the rest of the UK for the first time. Scottish tax payers will fall into five income tax bands compared to three in the rest of the UK. Two new tax bands have been created; a starter rate of 19% and an intermediate rate of 21%. The table below shows the income tax rates for Scottish taxpayers.

| Income tax rate | Scottish rate | |
|-------------------|---------------|---------------------|
| | Tax rate | Earnings band |
| Starter rate | 19% | £11,850 to £13,850 |
| Basic rate | 20% | £13,851 to £24,000 |
| Intermediate rate | 21% | £24,001 to £43,430 |
| Higher rate | 41% | £43,431 to £150,000 |
| Top rate | 46% | £150,000+ |

Automatic tax relief on your pension contributions will be at the basic rate of 20%. For example, for a contribution of £100 to the Plan, the tax relief received will be £20, although additional tax relief arrangements will apply at different rates as outlined below:

Starter rate tax payers - You will continue to receive 20% tax relief and you will not be required to pay the 1% difference.

Basic rate tax payers - You will continue to receive 20% tax relief.

Intermediate, higher and top rate tax payers - You are entitled to claim back the additional tax relief. You can do this by contacting HMRC if you do not complete Self-Assessment returns, or through your return if you do.

Any non-Scottish tax payers will not be affected by the changes. Please visit this website for the definition of a 'Scottish taxpayer' - hmrc.gov.uk/Scottish-income-tax/who-pays.



Advisers and service providers

The Trustee appoints organisations to supply services and provide specialist advice on a wide range of pension related matters, and regularly reviews those appointments.




Member Feedback

Good communication is very important to the Trustee Board. We want you, our members, to understand the valuable benefits that the Plan provides and what they mean for you. Feedback on this bulletin or any other aspect of the plan should be forwarded to the plan administrator at the contact details below.

Contact us

 cnpp.mailbox@aon.com

 0345 070 2863

 cnpp.org.uk

For a larger print version of this bulletin please call the above number.