COMBINED NUCLEAR™
PENSION PLAN

Defined Benefits Pensions Bulletin
January 2021

Chairman’s Introduction

I am delighted to welcome you to the 2020 Combined Nuclear Pension Plan (CNPP) Pensions Bulletin.

We have decided this year to produce two separate Bulletins one for Defined Benefit (DB) members like you and a separate one for Defined Contribution (DC) (New Joiners structure) members. Both will be available on the CNPP website for information.

In this unprecedented year of living with a pandemic we have seen many additional challenges. For the Trustee of the CNPP its main priority has been ensuring the continued and efficient running of the Plan. Making sure pensions continued to be paid, contributions were submitted on time and the administration service continued to be delivered and more. Please see later in the Bulletin the article on Covid-19.

Although most relevant to DC members, I am pleased to advise that the scheme received confirmation that it is an authorised Master Trust. The Trustee is now continuing to strengthen the governance processes in the scheme to meet the ongoing supervision requirements of The Pensions Regulator.

It’s taken longer than we would have liked to get this bulletin out to you, but we hope that you will find it interesting and if you want to know more about your benefits under the CNPP please contact your Plan Administrator at:

EQ (for DB structure members including all AVC or Shift Pay queries):

TEL: 0333 207 6523

EMAIL: CombinedNuclearPensionPlan@equiniti.com

POST: CNPP, PO Box 5167, Lancing BN99 9AY
or go to: cnpp.org.uk

Allan Whalley
Chairman of the CNPP Trustee

Trustee Board

There have been several changes to the Trustee Board over the last 18 months. Your current CNPP Trustee Directors are:

- Allan Whalley (Chairman)
- Mike Calloway (appointed 20 November 2020)
- Philip Greene
- Pip Hatt (appointed 21 September 2020)
- Ingrid Kirby
- Andrew Oldham (appointed 12 February 2020)
- Frank Rainford
- Mike Roberts
- Claire Toole

The Trustee board plays an important role in the running of the CNPP. Trustee Directors are appointed for up to two terms of three years, so they can be on the board for a maximum of up to six years without a break in service.

There are three different types of Trustee on the Board, three Independent Trustees, three Employer Nominated Trustees and three Member Nominated Trustees (MND).

Last summer the Trustee ran an application and selection process for three scheduled MND vacancies, a change to its previous process of application and election. The Trustee is committed to diversity and inclusion and was keen to encourage all active and pensioner members to consider the opportunity to become an MND. The Trustee was looking for a wide range of skills including working collaboratively, communicating effectively, identifying and managing risk, using judgement to make informed decisions and acting with transparency and integrity.

I am pleased to welcome Pip Hatt as a new MND to the board and confirm that Philip Greene and Claire Toole have been re-appointed for their second three year terms. The Trustee would like to thank all those that participated in this successful process.

Actuarial Valuation

The Scheme Actuary has recently completed a full actuarial valuation of the Plan's assets and liabilities as at 31 March 2019 and agreements have been reached with all of the sponsoring employers regarding the contribution levels for benefits earned up to and beyond the valuation date. The purpose of the actuarial valuation is to ensure that there are sufficient assets to meet the benefits accrued up to the valuation date (known as the 'liabilities') and to determine the cost of accruing benefits.

If, at the valuation date, the assets are lower than the liabilities, this is known as a shortfall or deficit. Conversely, if the assets are greater than the liabilities, this is known as a surplus. If the Scheme Actuary identifies a shortfall in the assets, the Trustee of the Plan will negotiate with the sponsoring employers to agree a 'recovery plan' that aims to remove the shortfall.

Key information from the 31 March 2019 actuarial valuation

Total assets	Total liabilities	Total deficit
£2,780m	£2,920m	£140m

Comparison of the information from the 31 March 2016 and 31 March 2019 actuarial valuations

2016
Total Members 15,361

Active	9,858
Deferred	2,672
Pensioners	2,831

2016
Total Funding Position

Assets	£1,890m
Liabilities	£1,900m
Deficit	£10m

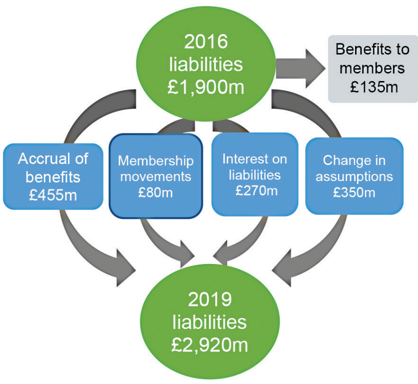
2019
Total Members 15,250

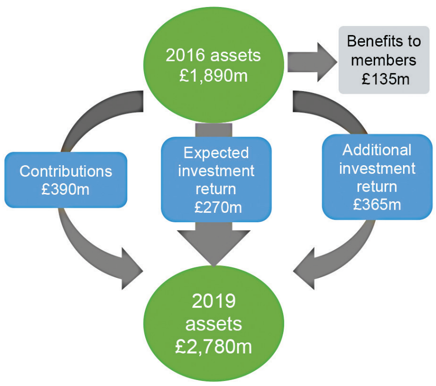
Active	8,372
Deferred	2,522
Pensioners	4,353

2019
Total Funding Position

Assets	£2,780m
Liabilities	£2,920m
Deficit	£140m

How the assets and liabilities have changed since the previous actuarial valuation





Since the 31 March 2016 actuarial valuation, there have been a number of events that caused significant volatility in the financial markets, for example, Brexit and most recently, Covid-19.

The funding positions disclosed in the tables below show a deterioration from the position at 31 March 2016 and the overall deficit across the Plan has increased by £130m. The main cause of this is due to lower government bond yields that reduce the expected rate of investment return that can be achieved on the Plan's assets and increase the value placed on the liabilities. Over the three years to 31 March 2019, the investment return on the Plan's assets were higher than previously assumed and helped to offset some of the increases in the liabilities.

The Trustee has reached agreements with the sponsoring employers to ensure that there are sufficient levels of contributions to remove any deficit from each section of the Plan.

Impact of Covid-19

The impact of Covid-19 on the economy and financial markets has been severe and the funding positions of all sections are likely to have deteriorated since the 31 March 2019 valuation date. As part of the actuarial valuation process, the Trustee completes a review of the financial strength of the sponsoring employers. Due to the industry of the sponsoring employers, the Trustee expects that their ability to support the Plan should not be significantly impacted over the longer term.

The Plan's assets are invested in a way such that the value of the assets and the liabilities should move in the same way. This helps to protect the Plan from changes in market conditions and should lower the volatility of the funding positions.

As a pension scheme is long-term in its nature, i.e. benefits accruing today may be payable for the next 50 years or more, the short-term market volatility caused by Covid-19 should not affect the long-term security of benefits. This should give the Plan's assets sufficient time to recover from the recent volatility and reach a fully funded position before the membership is predominately pensioners in receipt of benefits.

31 March 2019 actuarial valuation results

A summary of the 31 March 2019 results split by section is shown in the table below. The 'Funding Valuation' is what the Trustee agrees with each sponsoring employer and the results are used to determine the recovery plan contributions and the ongoing contribution rate for the accrual of new benefits.

As part of the valuation, the Scheme Actuary is required to determine the funding level on a wind-up or 'solvency' basis. This is an assessment of the funding level if all of the Plan's benefit earned up to the valuation date was to be secured in full with an insurance company. As insurers are required to take a cautious view of future experience, the cost to secure the benefits is very high when compared to the actuarial valuation. By law, the Trustee is required to notify members of the solvency funding position, however there is no expectation that the Plan is to be wound up and the pensions secured with an insurance company (with the exception of the GPS EnergySolutions Section). As mentioned in previous newsletters, the Trustee and EnergySolutions LLC have been working together to secure the liabilities of the section with an insurer. All affected members will receive their benefits in full and will be communicated with once the process is complete.

Now that the full valuation is complete, an annual update of the funding position will be carried out as at 31 March 2020 and the results of this will be disclosed in the next Newsletter. The next full funding valuation for all sections will be carried out as at 31 March 2022.

Section	Closed	Magnox	LLWR	Sellafield	DSRL	Springfields 2
Funding Valuation						
Assets (£m)	103.5	120.6	22.4	1,385.3	106.2	164.6
Liabilities (£m)	108.6	119.6	25.0	1,507.4	121.1	206.5
Surplus (shortfall) (£m)	(5.1)	1.0	(2.6)	(122.1)	(14.9)	(41.9)
Funding Level (£m)	95%	101%	89%	92%	88%	80%
Solvency Valuation						
Assets (£m)	103.5	120.6	22.4	1,385.3	106.2	164.6
Liabilities (£m)	166.1	233.6	55.3	3,171.8	250.4	283.7
Surplus (shortfall) (£m)	(62.6)	(113.0)	(32.9)	(1,786.5)	(144.2)	(119.1)
Funding Level (£m)	62%	52%	40%	44%	42%	58%

Section	GPS DRS	GPS SLC	GPS Nexia	GPS WEC	Nirex	GPS ES
Funding Valuation						
Assets (£m)	84.6	681.6	5.2	46.2	36.9	27.2
Liabilities (£m)	91.0	624.7	5.6	49.0	37.9	23.3
Surplus (shortfall) (£m)	(6.4)	56.9	(0.4)	(2.8)	(1.0)	3.9
Funding Level (£m)	93%	109%	92%	94%	97%	117%
Solvency Valuation						
Assets (£m)	84.6	681.6	5.2	46.2	36.9	27.2
Liabilities (£m)	161.4	1,017.6	8.0	71.6	54.1	23.3
Surplus (shortfall) (£m)	(76.8)	(336.0)	(2.8)	(25.4)	(17.2)	3.9
Funding Level (£m)	52%	67%	65%	65%	68%	117%

Agreed employer contribution rates

The Trustee has agreed new contribution rates for sections that remain open to future accrual of benefits. For any sections with a deficit at 31 March 2019, recovery plans have been agreed. The details of the agreed contributions for each section are set out in the table below.

Section	Previous contribution rate*	New contribution rate starts on	New contribution rate*	Deficit contributions (Payable from 1 April 2021 until 31 March 2032 unless stated)
Closed	0	n/a	0	£550,000 p.a.
Magnox	25.8%	1 April 2021	30.9%	£110,000 p.a.
LLWR	23.6%	1 April 2021	32.3%	£420,000 p.a.
Sellafield	25.2%	1 April 2021	32.1%	£19,920,000 p.a.
DSRL	25.3%	1 April 2021	32.2%	£400,000 p.a. until 31 March 2021, then £2,110,000 p.a.
Springfields 2	35.9%	1 July 2020	53.7%	See table below
GPS DRS	28.8%	1 April 2021	42.6%	£1,010,000 p.a.
GPS SLC	25.0%	1 April 2021	25.0%	-
GPS Nexia	37.0%	1 July 2020	49.5%	£100,000 on 1 July 2020, 1 April 2021 and 1 April 2022, followed by £200,000 on 1 April 2023
GPS WEC	39.2%	1 July 2020	47.0%	£550,000 p.a. until 30 September 2020, then £354,000 per month from 1 October 2020 to 31 March 2021
Nirex	0	n/a	0	£556k p.a. payable until 31 March 2021

*Contribution rate payable by the employer and as a percentage of Pensionable Earnings. Member contributions are in addition.

Springfields 2 Section	Year to 31 March 2020	Year to 31 March 2021	Year to 31 March 2022	Year to 31 March 2023	Year to 31 March 2024	Year to 31 March 2025	Year to 31 March 2026
Contributions (£ms)	1.4	4.4	8.2	8.7	9.4	10.3	2.7*

*contributions cease on 30 June 2025

No further contributions are payable to the GPS EnergySolutions section and it has sufficient assets to meet all liabilities and expenses ahead of its transfer to an insurance company.

Payments to the employer

It is a requirement of the Pensions Act 2004 that from time-to-time that the Trustee informs members of any payments made from the Plan to an employer. To date, there have been no payments out of the Plan to any of the employers. After the buyout of the GPS EnergySolutions section when all members' benefits have been secured with an insurance company, any remaining assets will be returned to the employer.

How Pension Scams work and what to look out for

Anyone can be the victim of a pension scam, no matter how savvy they think they are. It's important that everyone can spot the warning signs.

Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping.

The pension money is often invested in unusual, high risk investments like:

- overseas property and hotels
- renewable energy bonds
- forestry
- parking
- storage units

Or it can be simply stolen outright.

Warning signs of a pension scam

Scammers often cold call people via phone, email or text – this is illegal, and a likely sign of a scam. They often advertise online and can have websites that look official or government-backed.

Other common signs of pension scams:

- Phrases like 'free pension review', 'pension liberation', 'loan', 'loophole', 'savings advance', 'one-off investment', 'cashback'.
- Higher returns – guarantees they can get better returns on pension savings.
- Help to release cash from a pension before the age of 55, with no mention of the HMRC tax bill that can arise.
- High pressure sales tactics – time limited offers to get the best deal; using couriers to send documents, who wait until they're signed.
- Unusual high risk investments, which tend to be overseas, unregulated, with no consumer protections.
- Complicated investment structures.
- Long-term pension investments – which often mean people who transfer in do not realise something is wrong for a number of years.

All members should speak to an independent Financial Conduct Authority-authorised adviser before making a transfer, and in some cases are required to do so. Our pension administrators are also required to carry out checks on behalf of the Trustee but will be unable to spot every scam as the scammers get more sophisticated. Visit thepensionsregulator.gov.uk to read their booklet on **how to spot a scam**.

Annual Allowance and Lifetime Allowance

The 'Annual Allowance'(AA) 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 AA is £40,000, however if you have already started to draw a pension a lower limit of £4,000 may apply.

The AA 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 AA 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.

The Lifetime Allowance (LTA) 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 LTA of £1.07 million you will be taxed at 55% on the excess above that limit.

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

You can find more information on how the LTA 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

Contributions and Shift Pay Pension Plan

Members making Additional Voluntary Contributions and/or who contribute to the Shift Pay Pension Plan can invest in a range of funds to save for their retirement. To help you to choose, the funds available are shown in the Investment Guides. The Investment Guides detail the funds, their objectives, level of risk and charges. Please review your fund choices from time to time to ensure they remain appropriate for your retirement plans.

Quarterly Fund Factsheets are available on the CNPP website providing up-to-date information on the performance of individual funds: cnpp.org.uk/document-library.

Covid-19

The Trustee and the scheme advisers have worked incredibly hard to ensure that the key tasks related to running the CNPP can continue through these unprecedented times.

Back in March 2020 the Trustee identified its key tasks to be:

- Paying the right benefits, to the right people, at the right time ensuring - employer contributions were received on time, interfaces between employers and the administrators continued to work and the management of cashflow.
- Regulatory requirements including the triennial valuations, annual report & accounts and the Master Trust requirements.

Your administrators, EQ and Barnett Waddingham for the Nirex Structure, responded to the situation and were able to continue supporting the Trustee, and you, our members to meet its key tasks.

Below is a summary of some of the changes to the service that EQ made to support their employees and the CNPP;

- EQ moved all their employees to remote working and, despite some expected initial disruption, the administration and wider teams maintained a strong service performance.
- Service levels increased throughout the lockdown as we have also seen the benefits of appointing the new administrators with the increased level of new processes and ways of working that were introduced following the transition in 2019.
- EQ's biggest challenge was setting up their helpline so its employees could work remotely and continue to provide the service.
- EQ encouraged you to contact them via email to enable EQ helpline staff to focus on members who needed extra support.
- EQ also maintained an office presence on site with social distancing to receive post, scan items as well as arranging printing and posting.

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, your Plan Administrator, or Employer Representative: cnpp.org.uk and search for "Expression of Wish".

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

Expression of Wish forms should be returned to the Plan Administrator.

Keep us up-to-date

Your personal circumstances may change during your lifetime so please remember to review and update your Expression of Wish from time-to-time.

If you leave the Plan, please tell the Plan Administrator if you change address to enable us to contact you about accessing your pension when you approach retirement.

Pension Increase 2020

The increase applied in April 2020 to pensions in payment, in excess of any Guaranteed Minimum Pension element, was 2.4% for the CPS and GPS Benefit Structures and 2.2% for the Nirex Benefit Structure.

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 contact details below.

Equiniti (for DB structure members including all AVC or Shift Pay queries):
TEL: 0333 207 6523
CombinedNuclearPensionPlan@equiniti.com
POST: CNPP, PO Box 5167, Lancing BN99 9AY
Barnett Waddingham - for Nirex Section members only:
TEL: 0333 1111 222
Nirex@barnett-waddingham.co.uk

Keeping Your Data Safe

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 last year to provide you with further details on how it complies with General Data Protection Regulations and a copy of this document is available on the member website at cnpp.org.uk.

Plan Administrator

There are two DB administrators:

EQ (for DB structure members including all AVC or Shift Pay queries):

TEL: 0333 207 6523
CombinedNuclearPensionPlan@equiniti.com

POST: CNPP, PO Box 5167, Lancing BN99 9AY

Barnett Waddingham - for Nirex Section members only:

TEL: 0333 1111 222
Nirex@barnett-waddingham.co.uk

Additional information for members

The CNPP Trustee has also prepared a 'Frequently Asked Questions' to provide more Information about the options for DC investment account holders as they approach retirement: cnpp.org.uk.

Pension Wise

Pension Wise was set up by the government to provide free and impartial government guidance about your defined contribution pension options.

Who?
Pension Wise can help if you:
- are aged 50 or over
- have a personal or workplace pension
- want to make sense of your options

What?
What is a Pension Wise appointment?
- specialist pension guidance
- 45 to 60 minutes
- over the phone or local to you

How?
How to book an appointment?
- phone
- online

Just visit pensionwise.gov.uk to find out more information.

If you do not have a professional adviser, you can find your own Independent Financial Adviser at: unbiased.co.uk or moneyadviceservice.org.uk/directory

Annual Report

The Trustee's Annual Report for the year ended 31 March 2020 has been completed and is now available on the CNPP website. Alternatively, you can request a copy of the document by writing to your Plan Administrator.

For Shift Pay Pension Plan members and those with Additional Voluntary Contributions, you will be able to find a copy of the DC investment report and the Chair's Statement, detailing costs and charges information in relation to DC funds within the Trustee's Annual Report, at cnpp.org.uk.