



Scheme Funding Report

31 March 2019

**GPS EnergySolutions Section of the Combined
Nuclear Pension Plan**

12 November 2020



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1 Introduction

This report has been prepared for the Trustee of the GPS EnergySolutions Section of the Combined Nuclear Pension Plan (the “Section”) at their request and sets out the results of the actuarial valuation at 31 March 2019

The purposes of this report are to determine:

- whether the Section had sufficient assets to meet its Technical Provisions (i.e. the Trustee’s funding objective);
- the solvency position of the Section; and
- the position on a s179 basis.

Separately I have provided advice to the Trustee to assist in the review of the Statement of Funding Principles and Schedule of Contributions.

The Section is planning to buyout its liabilities and windup. The Trustee has set its Technical Provisions basis similar to the pricing basis used by an insurer if the Trustee were to purchase annuities for all members. Therefore, the Technical Provisions liabilities in Section 2 are identical to the solvency liabilities in Section 6.

This report builds on:

- My advice on the demographic and financial assumptions in my paper for the Trustee meeting held on 12 May 2020;
- The results paper provided for the Trustee meeting held on 12 May 2020
- The Statement of Funding Principles and Schedule of Contributions, each dated 26 June 2020.

This report has been prepared in accordance with Technical Actuarial Standards 100 (Principles for technical actuarial work) and 300 (Pensions) issued by the Financial Reporting Council, and peer reviewed in accordance with Actuarial Professional Standard X2.

This report may not be relied on for any purpose other than those explained above. The funding valuation is not relevant for any other purposes, and in particular is not relevant to the costs and liabilities of the Section to be disclosed by the Employer in its accounts.

A glossary of defined terms can be found in the Glossary in Appendix J.

Signature 	Date 12 November 2020
Name Mark McClintock	Qualification Fellow of the Faculty and Institute of Actuaries

2 Summary of results

At the Valuation Date, there was a surplus of £3,944,000. This is an improvement since the last valuation when the deficit was £9,453,000.

The Trustee's funding objective in its Statement of Funding Principles is to hold sufficient and appropriate assets to cover its Technical Provisions.

In April 2016 the Employer, ATK Energy EU Limited, was sold to WS Atkins Plc. As part of the sale, the former parent company of the Employer, EnergySolutions Inc, agreed to buyout the Section's liabilities so that WS Atkins Plc would not have any liability to the Section. To facilitate the buyout, EnergySolutions Inc placed \$7.7m into an escrow account. Another \$16m was placed into a separate escrow account to cover the obligations of the seller, including any amount in excess of the \$7.7m to buyout the Section's liabilities.

In light of the intention to buyout the liabilities and windup the Section, the Trustee has set its Technical Provisions basis similar to the pricing basis used by an insurer if the Trustee were to purchase annuities for all members. Therefore, the liabilities to meet the SFO and the Solvency liabilities in Section 6 are identical.

After the Valuation Date, a buy-in for all members of the Section was purchased with Just Retirement on 22 May 2019 for a premium of £24.6m. The residual assets at the buy-in date were c.£2.5m. The actions to convert the buy-in to a buyout and windup the Section are ongoing and are expected to be completed during 2021. After the buyout and windup has completed, the assets held in escrow and any residual assets of the Section are to be released.

The table below sets out the funding position at 31 March 2019 compared to the position three years earlier.

The Technical Provisions have been calculated using assumptions agreed between the Trustee and the Employer and documented in the Statement of Funding Principles.

£000's	31 March 2019	31 March 2016
Assets	27,239	26,457
Technical Provisions		
- Active members	-	6,167
- Deferred members	1,892	16,789
- Pensioner members	20,725	11,908
- Expenses	678	1,046
Total Technical Provisions	23,295	35,910
Surplus/(Deficit)	3,944	(9,453)
Funding level	117%	74%

The Section is closed to future accrual and no contributions in respect of future service are required.

As part of the 31 March 2016 valuation, the Trustee and Employer agreed a Recovery Plan to eliminate the deficit at the Valuation Date over a recovery period ending on 30 June 2022. The Employer agreed to contribute £2m per annum, payable annually, for 5 years.

However, in light of the surplus and the buy-in, the Schedule of Contributions and Recovery Plan were updated on 31 July 2018 and again on 18 July 2019 as no further contributions are required to fund the buyout and the windup of the Section.

As part of the updated Schedule of Contributions and Recovery Plans, an escrow account was established between EnergySolutions Inc and the Trustee with the conditions;

- The escrow account shall remain available over the length of the Recovery Plan or until the buyout is completed (if earlier);
- Recovery Plan payments will not be paid from the escrow account; and
- Additional payments will be made available if the actual buyout cost is higher than the amount held in escrow.

Due to the surplus at the Valuation Date, no more contributions are required by the Employer and it has been agreed that the expenses of operating the Section are to be met from the Section's assets. The terms of the escrow account are unchanged.

If experience is in line with the Technical Provisions assumptions and the windup is not finalised, I estimate that the funding level at the date of the next valuation at 31 March 2022 will be 110%, which is the position at the date the buy-in policy was purchased. After the purchase of the buy-in policy, the funding level will remain relatively stable.

3 Experience since the last valuation

The key reasons for the change in funding position are:

- A decrease in government bond yields and an increase in inflation expectations that have resulted in a lower discount rate, higher inflation assumption and an increase in the Technical Provisions

The impact of these factors have been offset by:

- Investment performance of the Section's assets has been better than expected
- Changes in the derivation of the financial assumptions to take into account insurer pricing that has reduced the Technical Provisions
- The deficit contributions paid into the Section
- An Enhanced Transfer Value exercise in which three of the deferred members transferred out of the Section
- Members commuting pension for cash at retirement

Over the inter-valuation period the following contributions have been paid, in line with the previous Schedule of Contributions:

£000's	Employer contributions	Employee contributions
Year 1	25	3
Year 2	2,000	-
Year 3	-	-
Total	2,025	3

The annual investment return on the Section's assets equated to approximately 8.2%.

The Section has become increasing mature based on membership numbers, with 10% of members now deferred and 90% pensioners, compared to 46% and 38% at the last valuation. At the current date, all members of the Section are pensioners.

Over the inter-valuation period the funding position has improved from a deficit of £9,453,000 to a surplus of £3,944,000. The key reasons for this are the deficit contributions paid into the Section, the investment returns have been higher than expected and insurers' pricing assumptions are less prudent than those used at the previous valuation.

Over this period, membership movements have also contributed to an improvement in the funding position:

- An Enhanced Transfer Value exercise was carried out during 2018 in which Cash Equivalent Transfer Values ("CETVs"), enhanced by 10%, were offered to the four remaining deferred members. Three of the members opted to transfer and a saving on the Technical Provisions resulted from the difference between the liabilities and the transfer values paid to the members.
- The Technical Provisions basis at the 31 March 2016 valuation included no allowance for members commuting pension for cash at retirement. The Section's cash commutation factors are much lower than cost of securing a £1 p.a. pension with an insurer. When members elect to commute some of the pension at retirement, a saving on the Technical Provisions basis is produced. Three of the four members retiring since the previous valuation date commuted the maximum amount of pension on retirement and produced a large funding gain.

		£000's
Surplus/(Deficit) at 31 March 2016		(9,453)
Interest on the surplus/(deficit)		(411)
Investment returns above/(below) expected		5,525
Deficit contributions paid by the Employer		2,043
Change in market conditions		(5,214)
Changes to Statement of Funding Principles		4,840
Pension increases (in payment and deferment)		135
Gain/loss as a result of transfer out		2,985
Gain loss as a result of commutation		3,101
Experience		393
Surplus/(Deficit) at 31 March 2019		3,944

The surplus after the Section purchased the buy-in policy with Just Retirement was c.£2.5m and equated to a funding level of c.110%. The difference between this surplus and the one at the Valuation Date results from the assumptions used to determine the buy-in premium being different to the assumptions used in the Technical Provisions and changes in the value of the investments from the Valuation Date to May 2019.

GMP equalisation

On Friday 26 October 2018, the High Court ruled in the Lloyds Banking Group case that schemes must equalise benefits for the differences in Guaranteed Minimum Pensions (GMPs) between men and women. GMPs were earned until April 1997 in schemes that were “contracted out” of the SERPS state pension.

On 17 May 1990, the judgment in the “Barber” court case ruled that pensions provided by schemes had to be equalised between men and women going forward; from that date, schemes had an obligation to provide men and women with a pension that was payable from the same Normal Retirement Age. However, the GMP element of the overall pension continued to be payable from different ages in accordance with the Government’s prescribed approach to calculating GMP.

The Lloyds Bank judgment means that schemes now also need to equalise benefits for the differences in GMP. The judgment applies to GMP earned between 17 May 1990 (the date of the Barber judgment) and 5 April 1997 (when GMP accrual ceased).

The main implication of the court ruling will be to increase the liabilities in respect of pension payments going forward and arrears for pensions paid in the past. I have estimated that the impact on the Section is not likely to be material and will be quantified as part of the buyout.

4 Risk and uncertainty

The funding position of the Section is exposed to a number of risks, which are managed and monitored by the Trustee

To the extent that these risks appear, this will cause volatility in the funding position of the Section, and could mean that additional (or lower) contributions are needed to fund the Section.

Covenant risk: A reduction in the strength of the covenant leads to an increased risk that the Employer will not be able to make good any deficit that may emerge in the future or the risk that the Employer will not be able to pay the expenses associated with the day to day running of the Section. In the event that the financial strength of the Employer becomes weaker, the Trustee will need to consider whether the level of investment risk in the Section is appropriate for the reduced covenant strength, and the affordability of the contributions for the Employer.

The Trustee regularly monitors the strength of the covenant. Although given the intention to windup the Section and the expectation that no further contributions are required, the covenant risk should be minimal.

Investment risk: By taking additional investment risk, investors in growth assets expect to be compensated with higher longer-term returns than matching assets. In the shorter term, the price of growth assets is expected to be more volatile than matching assets. In the event of falling growth asset prices, this could lead to an emerging deficit that will need to be funded by the Employer.

The Trustee regularly considers the appropriateness and inherent risks of the investment strategy in co-ordination with their investment consultant. The Section does not invest in any growth assets and as all liabilities have been secured via a buy-in policy, the investment risk from the remaining assets in the Section is low.

Interest rate and inflation risk: To the extent that there is a mismatching of the interest rate or inflation sensitivity of the assets and liabilities, either a surplus or deficit may arise when interest rates and inflationary expectations change.

The Section's liabilities are fully secured via a buy-in policy and interest rate and inflation risk is therefore zero.

Longevity risk: There is a risk that members live longer than anticipated, and therefore the cost of providing the benefits is higher than expected.

There is zero longevity risk due to the buy-in of the liabilities.

Member selection risk: There is a risk that member experience is not as expected e.g. members do not commute pension at retirement for a cash lump sum.

All members of the Section are now retired and there is no opportunity for further selection risk.

Legislative risk: There is a risk that new legislation or court rulings could change the benefits that must be paid to members and/or the way in which these benefits must be funded.

As Scheme Actuary, I keep the Trustee up to date on changes in legislation which may impact funding levels and the cost of benefits

The Trustee is aware that the only way to remove all risks is to secure all the liabilities with an insurance company.

5 Sensitivities

The results of the funding valuation are sensitive to the choice of assumptions

Change to assumption	Change in Technical Provisions (£000's)	Surplus / (Deficit) (£000's)
Technical provisions at 31 March 2019	-	3,944
0.5% pa decrease in the discount rate	2,235	1,709
0.5% pa increase in the RPI inflation assumption (and corresponding increase to other inflation-linked assumptions)	2,160	1,784
10% reduction to the mortality scaling factors	888	3,056
Impact of adjusting long-term trend rate in future improvements in mortality by 0.25% pa	260	3,684

The scenarios considered are not worst or best case scenarios, and have been applied in isolation. The solvency position discussed in Section 6 is the same as the Technical Provisions basis and is also affected by the factors above. Although since the purchase of the buy-in policy, a change in the value of the liabilities will be matched by a change in the value of the insured assets.

6 Solvency position

At the Valuation Date, I estimate that the Section was 117% funded on a solvency basis

This is a comparison of the value of the assets with an estimate of the cost of winding up the Section and purchasing annuities from an insurance company which would be sufficient to meet the accrued liabilities in full.

I have estimated the cost of annuities using assumptions that I understand are similar to those used by insurance companies at the Valuation Date. As stated earlier in this Report, the Trustee's Technical Provisions basis had been set to estimate the cost of buying out the Section's liabilities with an insurer. Therefore, the solvency position at 31 March 2019 matches the Technical Provisions in Section 2.

£000's	31 March 2019	31 March 2016
Assets	27,239	26,457
Solvency liabilities		
- Active members	-	6,167
- Deferred members	1,892	16,789
- Pensioner members	20,725	11,908
- Expenses	678	1,046
Total solvency liabilities	23,295	35,910
Surplus/(Deficit)	3,944	(9,453)
Funding level	117%	74%

The estimate above must be viewed only as a guide. The actual solvency position could only be established by obtaining quotes from insurers, and the cost is likely to vary between insurers. The cost of the buy-in that took place during May 2019 was slightly higher than that shown in the table at £24.6m.

The estimated solvency funding level at the previous valuation date was 74%. The improvement was due to the same factors as described in Section 3.

If experience is in line with the solvency assumptions and the windup is not finalised, I estimate that the solvency level at the date of the next valuation at 31 March 2022 would be 110%, which is the position at the date the buy-in policy was purchased. After the purchase of the buy-in policy, the funding level will remain relatively stable.

7 s179 valuation

At the Valuation Date, I estimate that the Section was 190% funded on a s179 basis

It is requirement for schemes to carry out a s179 valuation at least every 3 years, and the results submitted to the Pension Protection Fund ("PPF") via Exchange. The purpose of the valuation is to determine the risk-based part of the PPF levy that is payable in future years.

The most recent s179 valuation of the Section was carried out at 31 March 2016. I have performed the valuation at 31 March 2019, to coincide with the date of triennial funding valuation, and have prepared the necessary certificate, which is contained in Appendix I.

£000's	31 March 2019	31 March 2016
Assets	27,239	26,457
S179 liabilities		
- Active members	-	1,958
- Deferred members	982	5,556
- Pensioner members	12,957	7,002
Expenses		
- On Windup	418	435
- Installation & Payment	8	10
Total S179 liabilities	14,365	14,961
Surplus/(Deficit)	12,874	11,496
Funding level	190%	177%

The approach for carrying out a s179 valuation is prescribed by the PPF. The in force valuation guidance at the valuation is version G8, using the assumptions contained in assumptions guidance version A9 using market conditions as at the Valuation Date.

8 Developments since the valuation and next steps

There has been considerable market volatility since the Valuation Date and this is likely to continue given the effect of Covid-19 on the global economy. However, the buy-in of the liabilities during May 2019 has minimised the impact to the Section. The residual assets of the Section are held in bonds that should have avoided the volatility experienced in equity markets.

Developments since the valuation

Since the Valuation Date, equity markets have fallen significantly due to the Covid-19 pandemic and the effect on the economy. There has been some recovery in equity values but asset prices remain below their position at the Valuation Date.

Gilt yields and inflation expectations have also fallen and the net impact will have had a negative impact on the Section's liabilities. Due to the buy-in, changes in the value of the buy-in will be matched by changes in the value of the buy-in policy, with no impact on the funding position.

The Section is progressing towards buying out the liabilities with Just Retirement and is expected to be wound-up shortly thereafter.

Next steps

Following receipt of this report the Trustee should:

- Send a copy of this report to the Employer within 7 days;
- Submit the results to the Pensions Regulator (already completed); and
- Provide a summary funding statement to members within a reasonable period.

An actuarial update of this valuation is due with an effective date of 31 March 2020, and if the windup is not complete, the next full actuarial valuation is due at 31 March 2022.

The Pensions Regulator expects the Trustee to act as unsecured creditors of the Employer and therefore the Trustee should monitor the activities of the Employer that may impact upon its ability to fund the Section and hence the security of members' benefits.

The Trustee should regularly monitor the strength of the covenant of the Employer to their pension scheme, particularly in light of the current economic climate.

Appendices



A Funding approach and assumptions

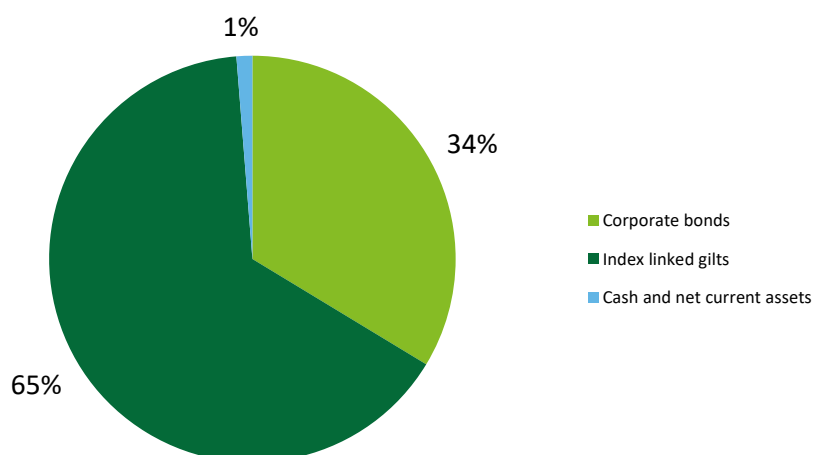
The Trustee has selected the Projected Unit funding method, which is an accrued benefits funding method.

The Trustee and Employer have selected the assumptions below, which are shown against those chosen by the Trustee at the previous valuation. These assumptions have been documented in the Statement of Funding Principles. The same assumptions are used in the solvency valuation.

Technical Provisions/Solvency	31 March 2019	31 March 2016
Discount rate	Pre-retirement 1.10% p.a. Post-retirement 1.60% p.a.	Non-pensioners 1.30% p.a. Pensioners 1.80% p.a.
Retail Prices Index (RPI) inflation	3.60% p.a.	3.25% p.a.
Consumer Prices Index (CPI) inflation	Same as RPI inflation	Same as RPI inflation
Inflation-linked pension increases in payment	3.60% p.a.	3.25% p.a.
Post-retirement mortality	90% SAPS S3 All Pensioners YoB and CMI 2018 projections with a long term trend of 2% p.a.	90% SAPS S2 All Pensioners YoB and 2014 CMI projections with a long term trend of 2.0% p.a.
Pre-retirement mortality	Same as post-retirement mortality	Same as post-retirement mortality
Retirement	Age 60 or 65 as applicable to specific members	Age 60 or 65 as applicable to specific members
Proportion married	Based on scheme specific experience	85%
Age difference	Males 3 years older than females	Males 3 years older than females
Cash commutation	No allowance of members assumed to commute the maximum amount of tax free cash	No allowance of members assumed to commute the maximum amount of tax free cash
GMP equalisation	None	None
Expenses	3% of liabilities	3% of liabilities

B Assets

I have used an asset value of £27,239,000. This is based on the audited value in the Trustee's Report and Accounts, excluding Defined Contribution assets.



The asset allocation is consistent with the investment strategy set out in the Statement of Investment Principles. At the Valuation Date, the Section had a target allocation of 100% in Bond assets.

C Membership data

The calculations have been based on individual membership data as at 31 March 2019 provided by the administrator EQ.

I have not audited the data, but I have taken reasonable steps to satisfy myself that the data is of adequate quality for the purpose of the valuation. I am satisfied with the internal consistency of the data, but cannot accept any responsibility for errors or omissions in the underlying data.

Deferred pensions are shown at date of leaving, and average ages are weighted by liability at the Valuation date. The one deferred member at the Valuation Date has since retired.

Active	31 March 2019	31 March 2016
No. members	-	2
Total pensionable salary	-	£263,000
Average age	-	53.7

Deferred	31 March 2019	31 March 2016
No. members	1	6
Total deferred pension	£33,000	£289,000
Average age	58.6	57.2

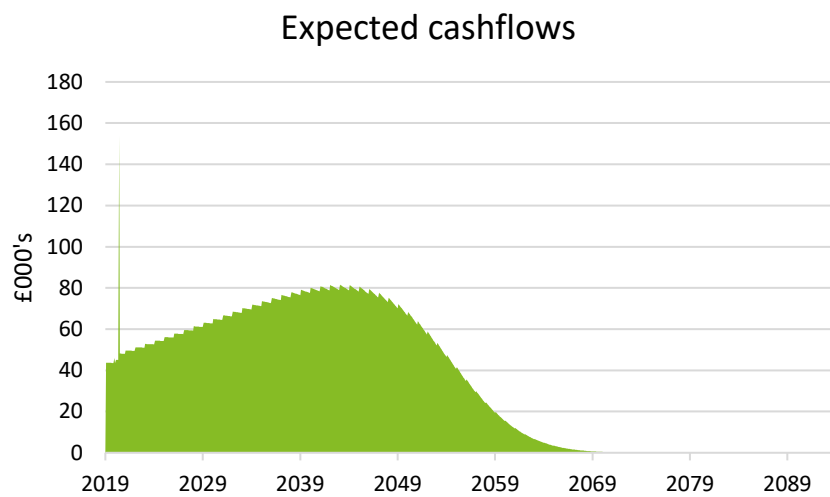
Pensioners and dependants	31 March 2019	31 March 2016
No. members	9	5
Total pensions in payment	£498,000	£275,000
Average age	63.4	61.4

D Expected cashflows

In order to calculate the Technical Provisions, the benefits paid out by the Section are estimated for each year into the future. A present value is then placed on the estimated benefit payments using the discount rate.

Since these cashflows are in respect of pension payments to be made over many years into the future, they are long term and uncertain in nature.

The chart below shows the expected future monthly cashflows out of the Section from 31 March 2019.



E Benefit summary

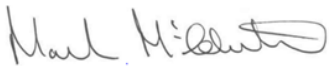
This Report has been based upon benefits described in the Trust Deed and Rules.

Except where stated in the Report, no allowance has been made for any discretionary benefits or discretionary increases to benefits.

F Certificate of Technical Provisions

Name of Section: GPS EnergySolutions Section of the Combined Nuclear Pension Plan

I certify that, in my opinion, the calculation of the Section's Technical Provisions as at 31 March 2019 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Section and set out in the Statement of Funding Principles dated 26 June 2020.

Signature	
Name	Mark McClintock
Date	30 June 2020
Name of employer	Deloitte Total Reward and Benefits Limited
Address	Lincoln Building, 2-45 Great Victoria Street, Belfast, BT2 7SL
Qualification	Fellow of the Institute and Faculty of Actuaries

G Statement of Funding Principles

Statement of Funding Principles

GPS EnergySolutions Section of the Combined Nuclear Pension Plan

As part of the actuarial valuation of the GPS EnergySolutions Section ("the Section") of the Combined Nuclear Pension Plan ('the Plan') as at 31 March 2019, the Trustee has reviewed their Statement of Funding Principles. The statement has been updated to reflect:

- the Trustee's assessment of the Employer (ATK Energy EU Limited) covenant;
- changes in financial market conditions; and
- demographic publications since the last actuarial valuation as at 31 March 2016.

This statement, dated 22 June 2020, has been agreed between the Trustee of the Plan and the Employer as required by section 223 of the Pensions Act 2004.

The actuarial valuation of the Plan as at 31 March 2019 will be carried out on the basis of these principles.

The Trustee took advice from the Scheme Actuary, Mark McClintock FIA, before drafting this statement.

The statutory funding objective

This statement sets out the Trustee's policy for ensuring that the Statutory Funding Objective¹ is met.

The Trustee will carry out their obligations under the Pensions Act 2004 and this Statement of Funding Principles. They will hold discussions with the Employer to obtain agreement to this statement and any changes to it. Assumptions will be selected to be sufficiently prudent to ensure that both pensions and benefits already in payment to beneficiaries will continue to be paid, and to reflect the commitments which arise out of all members' accrued rights.

The assumptions selected will provide an approximate margin for adverse deviation, taking into account any expected changes in the relevant risks, in particular the risks that, for whatever reasons, the Employer may not be able to pay contributions or make good deficits on time. This may be related but not restricted to the following risks:

- the investments under-perform;
- the investments do not otherwise increase in line with the liabilities;
- inflation rates are higher than expected; and
- retired members live longer than anticipated

Funding objectives in addition to the statutory funding objective

The Plan has no funding objectives other than the statutory funding objective described above.

¹ The Statutory Funding Objective is defined in Section 222 of the Pensions Act 2004. Every scheme must have sufficient and appropriate assets to cover its Technical Provisions.

Method and assumptions to be used in calculating the Plan's Technical Provisions

Method

The Section's Technical Provisions will be calculated, as required by the Pensions Act 2004, using an "accrued benefits funding method", and the method used is the Projected Unit Method.

Assumptions

The principal assumptions used in calculating the Technical Provisions will be determined as outlined below. Alongside each assumption we show the figure used in the valuation as at 31 March 2019. These figures have been derived from market rates as at the valuation date.

Assumption	Derivation	Assumption used
Pre retirement discount rate	The assumption is based on the yield available on fixed interest gilts with a similar duration to the Section's liabilities less a deduction of 0.5% p.a.	1.10% p.a. (yield on fixed interest UK government bonds at a 20 year duration with a deduction of 0.5% p.a.)
Post retirement discount rate	It is selected by inspection of the yields available on fixed interest gilts with a similar duration to the Section's liabilities.	1.60% p.a. (yield on fixed interest UK government bonds at a 20 year duration)
Inflation - RPI	The assumed rate of RPI price inflation will be assessed by reference to the Bank of England's UK implied inflation spot curve data (using duration appropriate to the Section's liabilities).	3.60% p.a. (in line with the Bank of England data at a 20 year duration)
Increases to pensions in payment and revaluation of deferred pensions	An adjustment could be considered to the assumption for price inflation when looking at RPI inflation-linked pension increases or revaluation	3.60% p.a. (no reduction from assumed inflation rate)
Mortality	Standard published tables of mortality would be adopted that have been found appropriate for the Plan. These tables would be adjusted to allow for expected future improvements in longevity.	S3PA Tables with a 90% weighting and CMI 2018 Projections incorporating a 2.0% long term trend
Ill health	Advice will be taken from the Scheme Actuary as to the appropriate ill health rates to adopt taking into account the experience from the Plan and the views of the Employer.	See sample rates in the Appendix
Retirement	Members are assumed to retire at their Normal Pension Age.	Age 60

Assumption	Derivation	Assumption used
Age differences	Advice will be taken from the Scheme Actuary as to the appropriate age difference between spouses to adopt, taking into account experience of the Plan where plausible and the views of the Employer.	Males 3 years older
Proportion married	Advice will be taken from the Scheme Actuary as to the appropriate proportions married to adopt, taking into account the experience analysis of the Plan.	85% at date of retirement
New entrants	Each Section of the Plan is closed to defined benefit new entrants.	No allowance
Commutation	No allowance is made for members opting to commute pension for additional cash to be representative of an insurer's pricing basis.	No allowance
Expenses	Allowance made for the expected future expenses to be incurred upon the wind-up of the Section.	3% of the Section's liabilities
PPF and other levies	The Trustee agreed with the Employer that PPF levies can be paid directly from the Section	Paid directly from Section assets
Assets	Market value taken from audited accounts (excluding members' money purchase AVC and Shift Pay Pension Plan).	Market value

Period within which and manner in which a failure to meet the statutory funding objective is to be rectified

The Trustee and the Employer have agreed that any funding shortfalls identified at an actuarial valuation should be eliminated by the payment of additional contributions. The level and period over which these additional contributions are to be paid will be agreed between the Trustee and the Employer. In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustee's assessment of the financial covenant of the Employer (and in making this assessment the Trustee may make use of appropriate credit assessment providers or financial advisors);
- any contingent security offered by the Employer; and
- the Rules of the Plan.

The assumptions to be used in these calculations will be those set out above for calculating the Technical Provisions except that they may also take account of the expected investment out-performance of Plan assets.

Other contributors

There are no agreements at present for anyone other than the Employer to make contributions.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Plan.

The Trustee will not agree any benefit increase unless a specific payment is made to the Plan in respect of such an increase, or the Scheme Actuary advises that such increases can be met by any surplus held in the relevant Section.

Refund to the Employer

The Trust Deed permits refund of surplus monies to any or all of the employers who participate in the Plan, but only on the winding up of the Plan as a whole and if then the assets exceed the cost of buying out the benefits of all the beneficiaries from an insurance company.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the Scheme Actuary to report on the extent to which assets are sufficient to provide CETVs for all members. If the assets are insufficient to provide 100% of benefits on that basis, so that payment of full CETVs would adversely affect the security of the remaining members' benefits, and the Employer is unable or unwilling to provide additional funds, the Trustee will consider reducing CETVs as permitted under legislation.

If, at any other time, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining member's benefits, the Trustee will commission a report from the Scheme Actuary and will use the above criteria to decide whether, and to what extent, CETVs should be reduced.

Future actuarial valuations

The actuarial valuation under Part 3² is being carried out as at the effective date of 31 March 2019. All subsequent valuations will be due at three yearly intervals from this date. An actuarial report on the developments affecting the Section's funding level will be obtained as at each intermediate anniversary of that date.

The Trustee may call for a full actuarial valuation when, after considering the Scheme Actuary's advice, they are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so.

Commissioning an additional valuation may not be necessary if agreement can be reached with the Employer to revise the Schedule of Contributions in a way considered satisfactory by the Trustee and the Scheme Actuary.

² Part 3 of the Pensions Act 2004 covering Scheme funding.

This Statement of Funding Principles dated 22 June 2020 has been agreed by the Employer and the Trustee of the Plan after obtaining advice from the Scheme Actuary.

Signed on behalf of the Employer

Signature:



Name:

SIMON COLE

Position:

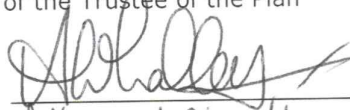
ATKINS FINANCE DIRECTOR

Date:

25/6/20

Signed on behalf of the Trustee of the Plan

Signature:



Name:

Alan Whalley

Position:

Trustee Director

Date:

22 June 2020

This statement has been agreed by the Trustee and Employer after obtaining actuarial advice from me:

Signature:



Name:

Mark McClintock FIA

Position:

Scheme Actuary

Date:

26 June 2020

Appendix to the Statement of Funding Principles

Sample rates

Ill health retirement

Ill health retirement decrements		
Age	Male	Female
20	0.0001	0.0002
30	0.0002	0.0003
40	0.0007	0.0011
45	0.0018	0.0022
50	0.0038	0.0045
55	0.0109	0.0136

H Schedule of Contributions

Schedule of Contributions

GPS EnergySolutions Section of the Combined Nuclear Pension Plan

Schedule of Contributions for the purposes of Part 3 of the Pensions Act 2004 and Section 9 of the Occupational Pensions Schemes (Scheme Funding) Regulations 2005.

Status

This Schedule of Contributions for the GPS EnergySolutions Section of the Combined Nuclear Pension Plan ("the Plan") has been prepared by the Trustee of the Plan, after obtaining the advice of Mark McClintock FIA, the Scheme Actuary. This Schedule of Contributions, put in place for the Plan, supersedes the previous revised schedule dated 18 July 2019.

The contribution rates and payment dates have been agreed between the Trustee and the Employer, ATK Energy EU Limited.

Contributions to be paid to the Plan for the period from 31 March 2019 to 30 June 2022

The GPS EnergySolutions Section is closed to future accrual hence no further contributions are required for future benefit accrual. The Employer will pay any contributions as agreed with the Scheme Actuary to meet any augmentations granted or benefit improvements, no later than the end of the calendar month following the augmentation being granted. Any costs, charges and expenses incurred by the GPS EnergySolutions Section of the Plan and levies payable to the Pension Protection Fund will be met by the Scheme.

The actuarial valuation of the GPS EnergySolutions Section as at 31 March 2019 revealed a funding surplus of £3,900,000. On 22 May 2019, the liabilities for all members were secured with an insurer and there were surplus assets of over £2m. Therefore, no further contributions are required to buy out the benefits in full and wind up the GPS EnergySolutions Section of the Plan (after allowance for all expenses).

In reaching this agreement, the parties to it have taken account of the following;

- The liabilities for all members of the GPS EnergySolutions section of the Plan have been secured with a buy-in policy with Just Retirement;
- Medical underwriting has been completed and the terms of the buy-in contract state that the premium will not be increased. A refund of 50% of the saving will be payable to the Trustee if the medical underwriting lowers the cost of the buy-in. The impact on the premium will be considered when the GPS EnergySolutions section is bought out;
- GMP equalisation has been adequately allowed for in the buy-in contract;
- EnergySolutions Inc. ("Inc") has entered into an agreement with the Trustee to provide an escrow arrangement (the "Trustee Escrow") providing for:
 - A payment by Inc of £2.5m into the Trustee Escrow account, which was paid by 31 July 2018; and
 - The Trustee can require payment out of the Trustee Escrow account in the event of it determining that it requires additional funds for the buy out of liabilities of the Plan, the payment of costs, charges and expenses (including PPF levies) in relation to the GPS EnergySolutions section of the Plan or the non-payment by the Employer of a debt on the employer under s75 of the Pensions Act 2004 or otherwise.

This Schedule of Contributions dated 22 June 2020 has been agreed by the Employer and the Trustee of the Plan:

Signed on behalf of ATK Energy EU Limited

Signature:



Name:

SIMON COLE

Position:

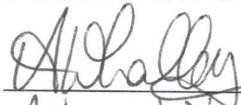
Atkins Finance Director

Date:

25/6/20

Signed on behalf of the Trustee of the Plan

Signature:



Name:

Allan Whalley

Position:

Trustee Director.

Date:

22 June 2020

This Schedule of Contributions, dated 22 June 2020 has been signed and agreed by the Trustee of the Plan after obtaining actuarial advice from me.

Signature:



Name:

Mark McClintock FIA

Position:

Scheme Actuary

Date:

26 June 2020

Actuary's certification of Schedule of Contributions

Name of Plan: GPS EnergySolutions Section of the Combined Nuclear Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met on 31 March 2019 and continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 June 2020.

The certification of the adequacy of the rates of contributions for the purpose of ensuring that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the GPS EnergySolutions Section of the Combined Nuclear Pension Plan were to be wound up.

Signature		Date	<u>26</u> June 2020
Name	Mark McClintock	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Deloitte Total Reward and Benefits Limited Lincoln Building 27 - 45 Great Victoria Street Belfast BT2 7SL		

S179 certificate

Scheme/Section details

Full name of scheme:	Combined Nuclear Pension Plan
Name of section, if applicable:	GPS EnergySolutions Section
Pension Scheme Registration Number:	19009612
Address of Scheme (or section, where appropriate):	C/O Nuclear Decommissioning Authority Building 329 west Thomson Avenue Harwell Campus Oxfordshire
Postcode:	OX11 0GD

Effective date of this valuation	31 March 2019
----------------------------------	---------------

Guidance and assumptions

S179 guidance used for this valuation	G8
S179 assumptions used for this valuation	A9

Assets

Total assets (this figure should not be reduced by the amount of any external liabilities and should include the insurance policies referred to below)	£27,238,843
Date of relevant accounts	31 March 2019
Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts.	0%

Liabilities

Please show liabilities for:

Active members (excluding expenses)	£0
Deferred members (excluding expenses)	£981,205
Pensioner members (excluding expenses)	£12,956,823
Estimated costs of winding up	£418,141
Estimated expenses of benefit installation/payment	£8,200
External liabilities	£0
Total protected liabilities	£14,364,369

Please provide the percentage of the liabilities shown above that are fully matched by insured annuity contracts for:

Active members	0%
Deferred members	0%
Pensioner members	0%

Proportion of liabilities

Please show the percentage of liabilities which relate to each period of service for:

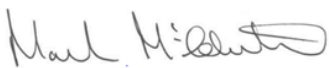
	Before 6 April 1997	6 April 1997 to 5 April 2009	After 5 April 2009
Active members	0%	0%	0%
Deferred members	20%	53%	27%
	Before 6 April 1997	After 5 April 1997	
Pensioner members	41%	59%	

Number and average ages of members

Please provide the number of members and average age (weighted by protected liabilities) as at the effective date of this valuation, for each member type, rounded to the nearest whole year.

	Number	Average age
Active members	-	-
Deferred members	1	59
Pensioner members	9	63

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signature	
Name	Mark McClintock
Date	30 June 2020
Name of employer	Deloitte Total Reward and Benefits Limited
Address	Lincoln Building, 2-45 Great Victoria Street, Belfast, BT2 7SL
Qualification	Fellow of the Institute and Faculty of Actuaries

J Glossary

Key terms used throughout this report are summarised below

Actuarial valuation	A review carried out by an actuary to assess whether a pension scheme's assets are sufficient to meet its liabilities
Deficit Reduction Contributions (DRCs)	The payments set out in the Recovery Plan to meet the funding shortfall
Discount rate	The rate used to place a present value on the projected benefit payments
Employer	ATK Energy EU Limited
Exchange	The Pension Regulator's online scheme maintenance system.
Funding level	The ratio of the value of assets to the value of the liabilities
Funding valuation	An actuarial valuation of the Section carried under legislation to determine the contributions payable to the Section in future.
Guaranteed Minimum Pension ("GMP")	A minimum level of income provided to members of contracted-out pension schemes between 1978 and 1997.
Pension Protection Fund ("PPF")	An arrangement launched in April 2005 that provides compensation to members of private sector defined benefit pension schemes when their sponsoring employer becomes insolvent. The level of PPF compensation would not normally be at the full level of the benefits that would otherwise have been due from the scheme.
Long Term Funding Target (LTFT)	A secondary, more prudent funding objective than the SFO. The target could be a low dependency position, or to target settlement of the liabilities with an insurance company
The Pensions Regulator	The regulatory body for work-based pension schemes in the UK, which reviews the funding of private sector defined benefit pension schemes

Recovery Plan	An agreement between the Trustee and the Employer for payments needed to meet any shortfall between the assets and Technical Provisions
£179 valuation	<p>A valuation that is used to determine a scheme's annual PPF levy.</p> <p>The valuation uses assumptions prescribed by the PPF, which are broadly consistent with the way insurers price pension schemes for buy-out purposes. The valuation is based on the level of PPF compensation that members would receive if the scheme entered the PPF on the valuation date, rather than Section's benefits.</p>
Schedule of Contributions	A schedule setting out the contribution rates and payment dates agreed between the Trustee and the Employer and certified by the Scheme Actuary as being adequate to satisfy the SFO.
Solvency position	The ratio of the assets to the estimated cost of securing the Section's benefits in full with an insurance company
Statutory Funding Objective ("SFO")	The requirement that a defined benefit pension scheme should have sufficient and appropriate assets to cover its Technical Provisions
Statement of Funding Principles	The documented policy for meeting the SFO and the principles for determining the assumptions to calculate the Technical Provisions
Technical Provisions	The actuarial value of the accrued liabilities of the Section used to determine future contributions
Trustee	The Trustee of the Section
Transfer value	The amount a scheme will pay on behalf of a deferred member who wishes to transfer their benefits to another pension arrangement
Valuation Date	31 March 2019



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