



# Scheme Funding Report

31 March 2019

Magnox Section of the Combined Nuclear Pension Plan

03 November 2020



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# 1 Introduction

This report has been prepared for the Trustee of the Magnox 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, Schedule of Contributions and Recovery Plan.

This report builds on:

- My advice on the;
  - o demographic assumptions in my paper for the Trustee meeting held on 11 July 2019;
  - o Pensionable Earnings assumption in my paper for the Trustee meeting held on 16 September 2019;
  - o Financial assumptions in my papers for the Trustee meetings held on 12 February 2020, 2 April 2020 and 12 May 2020.
- The results paper provided for the Trustee meetings held on
  - o 2 April 2020; and
  - o 12 May 2020.
- The Statement of Funding Principles, Schedule of Contributions, and Recovery Plan each dated 27 August 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 K.

|                                                                                                       |                                                                          |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| <b>Signature</b><br> | <b>Date</b><br>03 November 2020                                          |
| <b>Name</b><br>Mark McClintock                                                                        | <b>Qualification</b><br>Fellow of the Faculty and Institute of Actuaries |

## 2 Summary of results

At the Valuation Date, there was a surplus of £1,045,000. This is an improvement since the last valuation when the deficit was £989,000.

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

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 |
|-----------------------------------|---------------|---------------|
| <b>Assets</b>                     | 120,582       | 81,730        |
| <b>Technical Provisions</b>       |               |               |
| - Active members                  | 75,552        | 50,461        |
| - Deferred members                | 12,958        | 11,964        |
| - Pensioner members               | 31,027        | 20,294        |
| - Expenses                        | -             | -             |
| <b>Total Technical Provisions</b> | 119,537       | 82,719        |
| <b>Surplus/(Deficit)</b>          | 1,045         | (989)         |
| <b>Funding level</b>              | 101%          | 99%           |

A Recovery Plan has been agreed between the Trustee and Employer to pay the following Deficit Reduction Contributions.

| Deficit Reduction Contributions | Payment amount<br>£000's p.a. |
|---------------------------------|-------------------------------|
| 31 March 2019 to 31 March 2021  | -                             |
| 1 April 2021 to 31 March 2032   | 110                           |

In respect of future service, the following contribution rates have been agreed:

| Future contributions       | 1 April 2019 to 31<br>March 2021<br>% Pensionable Earnings | From 1 April 2021<br>% Pensionable Earnings |
|----------------------------|------------------------------------------------------------|---------------------------------------------|
| Employer contribution rate | 25.8%                                                      | 30.9%                                       |
| Member contributions rate  | 5%                                                         | 5%                                          |

The Employer also pays the expenses of operating the Section.

If experience is in line with the Technical Provisions assumptions, the Section's assets deliver the return assumed in the Recovery Plan, and contributions are paid in line with the Schedule of Contributions, I estimate that the funding level at the date of the next valuation at 31 March 2022 will be 98%. There is expected to be a small deterioration from the position at 31 March 2019 due to the underpayment against the cost of accrual up to the point the future service contributions change on 1 April 2021. This underpayment will be recovered as part of the Recovery Plan and is why deficit contributions are payable despite the surplus at the Valuation Date. However, the position is inherently uncertain and I would expect the funding position to be volatile due to (i) the exposure to growths assets and (ii) difference in inflation and interest rate sensitivity of the assets and liabilities.

## 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
- Contributions in respect of future accrual have been less than the cost of the benefits accrued
- Pensionable Earnings increases have been higher than assumed.

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 the long-term expected rate of return on the Section's assets has produced a higher discount rate.

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       | 6,216                  | 515                    |
| Year 2       | 5,056                  | 494                    |
| Year 3       | 5,165                  | 522                    |
| <b>Total</b> | <b>16,437</b>          | <b>1,531</b>           |

The annual investment return on the Section's assets equated to approximately 9.0%.

The Section has become increasing mature based on membership numbers, with 16% of members now deferred and 38% pensioners, compared to 18% and 25% at the last valuation.

Over the inter-valuation period the funding position has improved from a deficit of £989,000 to a surplus of £1,045,000. There have been no significant events over this period which materially impact the funding position of the Section.

|                                                  |  | £000's       |
|--------------------------------------------------|--|--------------|
| <b>Surplus/(Deficit) at 31 March 2016</b>        |  | <b>(989)</b> |
| Interest on the surplus/(deficit)                |  | (141)        |
| Investment returns above/(below) expected        |  | 13,513       |
| Cost of accrual vs. future service contributions |  | (2,119)      |
| Change in market conditions                      |  | (30,132)     |
| Changes to Statement of Funding Principles       |  | 23,339       |
| Salary increases                                 |  | (2,959)      |
| Pension increases (in payment and deferment)     |  | (16)         |
| Experience                                       |  | 549          |
| <b>Surplus/(Deficit) at 31 March 2019</b>        |  | <b>1,045</b> |

## 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. The Section does not have any GMP and is not affected by GMP equalisation.

## 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. The Trustee have considered the extent of the NDA and UK Government's legal obligations to the section of the Plan, and have agreed with the Covenant advisors that it is reasonable to treat the NDA and Site License Companies as "quasi-sovereign".

**Investment risk:** The investment strategy has an exposure to higher risk growth assets (i.e. a growth portfolio of c. 80% of assets). 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

**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 assets are expected to hedge c. 38% of interest rate risk.

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

The Section does not hold assets to hedge longevity risk. To the extent that members live longer than expected, this could lead to an emerging deficit in future. The proposed assumptions include a deliberate margin for prudence to help protect against this risk. As Scheme Actuary I regularly keep the Trustee updated on developing trends in longevity

**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.

The Trustee reviews experience at each actuarial valuation, and any significant deviations from the assumptions are reflected in my proposed assumptions for the actuarial valuation

**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) |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|
| <b>Technical provisions at 31 March 2019</b>                                                                        | -                                       | 1,045                        |
| 0.5% pa decrease in the discount rate                                                                               | 12,793                                  | (11,748)                     |
| 0.5% pa increase in the RPI inflation assumption (and corresponding increase to other inflation-linked assumptions) | 12,270                                  | (11,225)                     |
| 10% reduction to the mortality scaling factors                                                                      | 2,727                                   | (1,682)                      |
| Impact of adjusting long-term trend rate in future improvements in mortality by 0.25% pa                            | 1,075                                   | (30)                         |
| 10% fewer members commute the maximum amount pension at retirement                                                  | 417                                     | 628                          |

The scenarios considered are not worst or best case scenarios, and have been applied in isolation. The solvency position discussed in Section 6 is also highly sensitive to all but the last of the factors outlined above.

## 6 Solvency position

At the Valuation Date, I estimate that the Section was 52% 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. These assumptions are more conservative than those used to calculate the Technical Provisions, and include an explicit allowance for expenses, leading to a higher liability value.

| £000's                            | 31 March 2019 | 31 March 2016 |
|-----------------------------------|---------------|---------------|
| <b>Assets</b>                     | 120,582       | 81,730        |
| <b>Solvency liabilities</b>       |               |               |
| - Active members                  | 150,119       | 133,945       |
| - Deferred members                | 27,372        | 27,442        |
| - Pensioner members               | 49,297        | 30,898        |
| - Expenses                        | 6,804         | 5,768         |
| <b>Total solvency liabilities</b> | 233,592       | 198,053       |
| <b>Surplus/(Deficit)</b>          | (113,010)     | (116,323)     |
| <b>Funding level</b>              | 52%           | 41%           |

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 estimated solvency funding level at the previous valuation date was 41%. The improvement was due to strong investment performance and a change in the derivation of the assumptions as insurers' pricing basis is less expensive than that assumed at the 31 March 2016 actuarial valuation.

If the Section is wound up, the Section would have insufficient assets to secure benefits in full without additional funding from the Employer. If the Employer is not able to make those payments and becomes insolvent, the Section may be eligible

for compensation from the PPF, if the Section's assets could not secure at least the PPF level of compensation from an insurer.

If experience is in line with the solvency assumptions, the Section's assets deliver the return assumed in the Recovery Plan, and contributions are paid in line with the Schedule of Contributions, I estimate that the solvency level at the date of the next valuation at 31 March 2022 would be 53%.

## 7 s179 valuation

At the Valuation Date, I estimate that the Section was 81% 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 J.

| £000's                        | 31 March 2019 | 31 March 2016 |
|-------------------------------|---------------|---------------|
| <b>Assets</b>                 | 120,582       | 81,730        |
| <b>S179 liabilities</b>       |               |               |
| - Active members              | 95,335        | 66,996        |
| - Deferred members            | 16,599        | 14,415        |
| - Pensioner members           | 33,094        | 21,155        |
| Expenses                      |               |               |
| - On Windup                   | 2,950         | 2,526         |
| - Installation & Payment      | 777           | 815           |
| <b>Total S179 liabilities</b> | 148,755       | 105,907       |
| <b>Surplus/(Deficit)</b>      | (28,173)      | (24,177)      |
| <b>Funding level</b>          | 81%           | 77%           |

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.

### 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. The net impact on the funding position will depend on how the fall in gilt yields has affected the long-term expected return on the Section's assets.

The Trustee should consider whether the market volatility or any changes to the employer covenant will warrant revisiting the Statement of Funding Principles. However, despite the impact of the post valuation experience, I do not recommend that the next actuarial valuation date is brought forward from 31 March 2022 unless there has been a material impact in the employer covenant.

### 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 and Recovery Plan 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 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.

| Technical Provisions                          | 31 March 2019                                                                                | 31 March 2016                                                                                 |
|-----------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Discount rate                                 | 3.60% p.a.                                                                                   | Pre-retirement:<br>5.00% p.a.<br><br>Post-retirement:<br>3.20% p.a.                           |
| Discount rate – future service                | 4.00% p.a.                                                                                   | 6.20% p.a.                                                                                    |
| Retail Prices Index (RPI) inflation           | 3.30% p.a.                                                                                   | 3.05% p.a.                                                                                    |
| Consumer Prices Index (CPI) inflation         | 2.30% p.a.                                                                                   | 2.05% p.a.                                                                                    |
| Salary increases                              | Years 1-10: CPI + 0.25%<br>Over 10 years: CPI + 0.75%<br>Plus promotional salary scale       | 1% for 4 years, then 2.05% for 10 years, then 2.55%<br>Plus promotional salary scale          |
| Inflation-linked pension increases in payment | 3.30% p.a.                                                                                   | 3.05% p.a.                                                                                    |
| Post-retirement mortality                     | 110% SAPS S3 All Pensioners YoB and CMI 2018 projections with a long term trend of 1.5% p.a. | 100% SAPS S2 All Pensioners YoB and 2015 CMI projections with a long term trend of 1.25% 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                                                |
| Withdrawal from active service                | Withdrawal scale applied                                                                     | Withdrawal scale applied                                                                      |
| Proportion married                            | Based on scheme specific experience                                                          | Based on scheme specific experience                                                           |

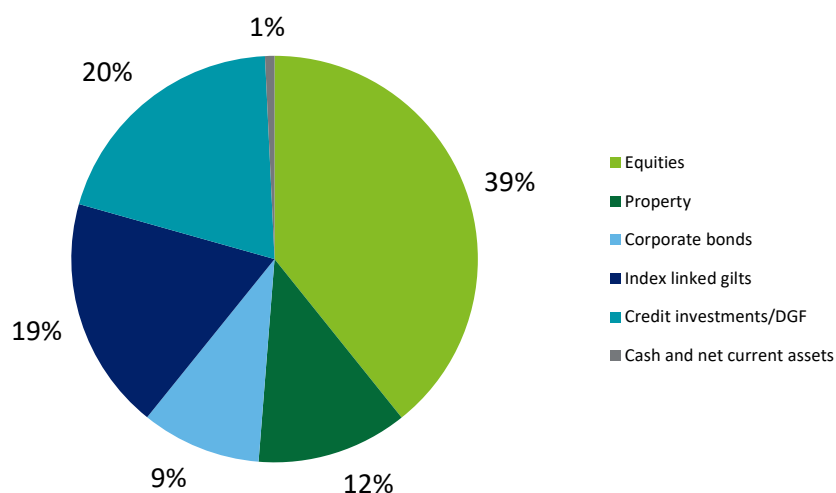
| Technical Provisions | 31 March 2019                                                         | 31 March 2016                                                             |
|----------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------|
| Age difference       | Males 3 years older than females                                      | Males 3 years older than females                                          |
| Cash commutation     | 80% of members assumed to commute the maximum amount of tax free cash | 81% max of members assumed to commute the maximum amount of tax free cash |
| GMP equalisation     | None                                                                  | None                                                                      |
| Expenses             | No allowance                                                          | No allowance                                                              |

My estimate of the solvency position was based on the following assumptions:

| Solvency                                                       | 31 March 2019                                                                                                                                      | 31 March 2016                                                                                                                                          |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate                                                  | BoE 20 year gilt yields for post-retirement and less 0.5% for pre-retirement at all durations<br><br>Pre-retirement 1.10%<br>Post-retirement 1.60% | BoE 20 year gilt yields for less 0.5% for pensioners and less 1.0% for non-pensioners at all durations<br><br>Non-pensioners 1.30%<br>Pensioners 1.80% |
| Retail Prices Index (RPI) inflation                            | BoE 20 year spot rate<br><br>3.60%                                                                                                                 | BoE 20 year spot rate<br><br>3.25%                                                                                                                     |
| Consumer Prices Index (CPI) inflation                          | Equal to RPI inflation                                                                                                                             | Equal to RPI inflation                                                                                                                                 |
| Inflation-linked pension increases in payment and in deferment | No reduction from assumed RPI inflation rate<br><br>3.60% p.a.                                                                                     | No reduction from assumed RPI inflation rate<br><br>3.25% p.a.                                                                                         |
| Post-retirement mortality                                      | 90% of S3Px tables, CMI 2018 projections with a 2.0% long term rate of improvement                                                                 | 90% of S2Px tables, CMI 2014 projections with a 2.0% long term rate of improvement                                                                     |
| 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                                                                                                                                       | No allowance                                                                                                                                           |
| GMP equalisation                                               | None                                                                                                                                               | None                                                                                                                                                   |
| Expenses                                                       | 3% of liabilities                                                                                                                                  | 3% of liabilities                                                                                                                                      |

## B Assets

I have used an asset value of £120,582,000. 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 of 80% in Growth assets and 20% 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.

| <b>Active</b>            | <b>31 March 2019</b> | <b>31 March 2016</b> |
|--------------------------|----------------------|----------------------|
| No. members              | 385                  | 487                  |
| Total pensionable salary | £18,368,000          | £20,699,000          |
| Average age              | 51.9                 | 50.6                 |

| <b>Deferred</b>        | <b>31 March 2019</b> | <b>31 March 2016</b> |
|------------------------|----------------------|----------------------|
| No. members            | 138                  | 151                  |
| Total deferred pension | £381,000             | £421,000             |
| Average age            | 51.6                 | 52.6                 |

| <b>Pensioners and dependants</b> | <b>31 March 2019</b> | <b>31 March 2016</b> |
|----------------------------------|----------------------|----------------------|
| No. members                      | 322                  | 218                  |
| Total pensions in payment        | £1,132,000           | £691,000             |
| Average age                      | 62.7                 | 61.2                 |

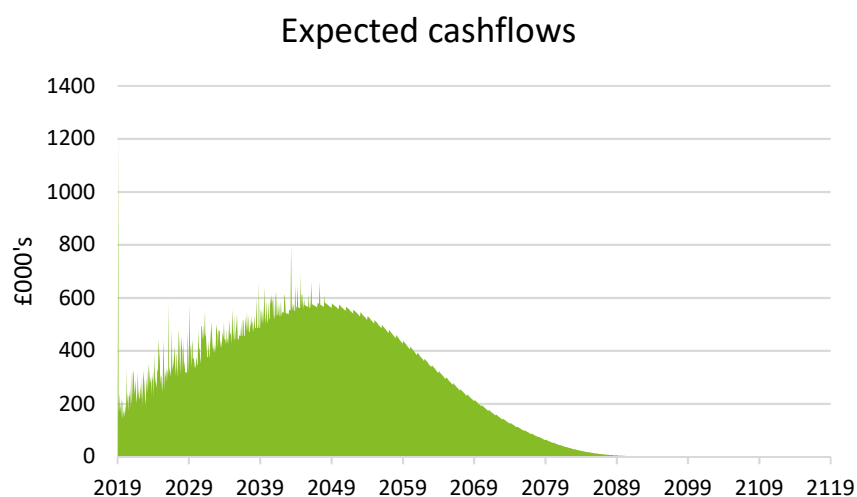
The membership numbers above vary slightly from those outlined in the audited Trustee's Report and Accounts as at 31 March 2019 due to membership movements that occurred around the Valuation Date.

## 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: Magnox 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 27 August 2020.

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

## G Statement of Funding Principles

# Statement of Funding Principles

## Magnox Section of the Combined Nuclear Pension Plan

As part of the actuarial valuation of the Magnox 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 Lead Employer (Nuclear Decommissioning Authority) covenant;
- changes in financial market conditions; and
- demographic publications since the last actuarial valuation as at 31 March 2016.

This statement, dated 27 August 2020, has been agreed between the Trustee of the Scheme and the Lead 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 Objective<sup>1</sup> 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 Lead 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.

---

<sup>1</sup> 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 with a 3 year control period, building an allowance for future assumed pay increases into the past service liabilities.

This method is considered appropriate for a scheme which provides benefits calculated on a final pay basis. As the Section is closed to defined benefit new joiners, it is recognised by the Trustee and the Lead Employer that using a control period of this length will almost certainly result in an increase in the contribution rate at future valuations.

## 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                                                                                                                                             |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Discount rate</b> | <p>The assumption for past service liabilities is based upon the expected return on the proposed long term investment strategy with a margin for prudence such that the funding target is expected to be met with at least 2/3rds probability. The investment strategy will take account of the duration of the liabilities.</p> <p>The expected returns for each asset class are set using the investment consultant's model and will be reviewed on a regular basis.</p> <p>The assumption for future service liabilities will be set in a similar manner, but based on a longer investment timeframe to reflect the longer duration of the active members' liabilities relative to the Section as a whole.</p> | <p><b>3.60% p.a.</b></p> <p><b>Future service: 4.00% p.a.</b></p>                                                                                           |
| <b>RPI Inflation</b> | <p>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). An adjustment could be considered to allow for a possible inflation risk premium, reflecting the high demand for index linked gilts distorting the Bank of England's market based calculation.</p>                                                                                                                                                                                                                                                                                                              | <p><b>3.30% p.a.</b></p> <p>(being 0.30% below the Bank of England data at a 20 year duration, the deduction being to allow for inflation risk premium)</p> |
| <b>CPI Inflation</b> | <p>Assessed by the rate of RPI inflation less a deduction to take account of the differences in the method of calculation, goods covered in the indices and the historical rates of RPI and CPI inflation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p><b>2.30% p.a.</b></p> <p>(being 1.00% p.a. below the RPI inflation assumption)</p>                                                                       |

| Assumption                                                                   | Derivation                                                                                                                                                                                                                                                                                          | Assumption used                                                                                                                           |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Increases to Pensionable Earnings</b>                                     | <p>Pensionable Earnings will be assumed to increase relative to the assumed rate of CPI inflation, by an amount based on an experience analysis conducted for the 31 March 2019 valuation.</p> <p>Views from the Employer and the Lead Employer will be considered when setting the assumption.</p> | <p><b>Years 1-10: CPI + 0.25%</b></p> <p><b>Over 10 years: CPI + 0.75%</b></p> <p><b>Plus promotional salary scale (see Appendix)</b></p> |
| <b>Increases to pensions in payment and revaluation of deferred pensions</b> | An adjustment could be considered to the assumption for price inflation when looking at RPI inflation-linked pension increases or revaluation.                                                                                                                                                      | <p><b>3.30% p.a.</b></p> <p>(no reduction from assumed RPI inflation rate)</p>                                                            |
| <b>Mortality</b>                                                             | Standard published tables of mortality would be adopted that are considered appropriate for the Plan based on relevant analysis of experience. These tables would be adjusted to allow for expected future improvements in longevity.                                                               | <b>110% SAPS S3 All Pensioners YoB and CMI 2018 projections with a long term trend of 1.5% p.a.</b>                                       |
| <b>Leaving service</b>                                                       | Advice will be taken from the Scheme Actuary as to the appropriate withdrawal rates to adopt taking into account withdrawal experience from the Plan and the views of the Lead Employer.                                                                                                            | <b>See sample rates in the Appendix</b>                                                                                                   |
| <b>Ill health</b>                                                            | 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 Lead Employer.                                                                                                                   | <b>See sample rates in the Appendix</b>                                                                                                   |
| <b>Retirement</b>                                                            | Members are assumed to retire at their Normal Pension Age. No account has been taken of the possibility of members continuing to work after Normal Pension Age but this may be reviewed in future, taking account of the Plan's experience and the views of the Lead Employer.                      | <b>Age 60 or 65 as applicable to specific members</b>                                                                                     |
| <b>Age differences</b>                                                       | 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 Lead Employer.                                                                                          | <b>Husbands assumed to be 3 years older than their wives</b>                                                                              |
| <b>Proportion married</b>                                                    | 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.                                                                                                                                           | <p><b>NDA Unisex rates</b></p> <p><b>Sample rates are shown in the Appendix</b></p>                                                       |
| <b>New entrants</b>                                                          | The Section of the Plan is closed to defined benefit new entrants.                                                                                                                                                                                                                                  | <b>No allowance</b>                                                                                                                       |
| <b>Commutation</b>                                                           | The assumption is informed by recent experience.                                                                                                                                                                                                                                                    | <b>80% of members assumed to commute the maximum amount of tax free cash</b>                                                              |

| Assumption                     | Derivation                                                                                                   | Assumption used                               |
|--------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>Expenses</b>                | Expenses are paid directly by the Employer.                                                                  | <b>Paid directly by Employer</b>              |
| <b>Life insurance premiums</b> | Death in service lump sums are self-insured for this Section, the cost of which is met by the Employer.      | <b>Included in employer contribution rate</b> |
| <b>PPF and other levies</b>    | Paid directly by the Employer.                                                                               | <b>Paid directly by Employer</b>              |
| <b>Assets</b>                  | Market value taken from audited accounts (excluding members' money purchase AVC and Shift Pay Pension Plan). | <b>Market value</b>                           |

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

The Trustee and the Lead 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 Lead 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 Lead 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 3<sup>2</sup> 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 Lead Employer before doing so.

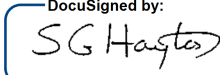
Commissioning an additional valuation may not be necessary if agreement can be reached with the Lead Employer to revise the Schedule of Contributions in a way considered satisfactory by the Trustee and the Scheme Actuary.

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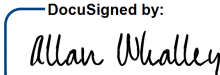
<sup>2</sup> Part 3 of the Pensions Act 2004 covering Scheme funding.

**This Statement of Funding Principles dated 27 August 2020 has been agreed by the Lead Employer and the Trustee of the Plan after obtaining advice from the Scheme Actuary.**

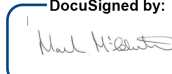
Signed on behalf of the Lead Employer

Signature:   
Name: Steve Hayton  
Position: Head of Group Pensions, Nuclear Decommissioning Authority  
Date: 27 August 2020 | 09:19:06 BST

Signed on behalf of the Trustee of the Plan

Signature:   
Name: Allan Whalley  
Position: representing Strettea Independent Trustees Limited as Director  
Date: 27 August 2020 | 08:24:37 BST

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

Signature:   
Name: Mark McClintock FIA  
Position: Scheme Actuary  
Date: 27 August 2020

## Appendix to the Statement of Funding Principles

### Sample rates

#### Leaving service

| Rates per 1000 members at each age |            |        |
|------------------------------------|------------|--------|
| Age                                | Withdrawal |        |
|                                    | Male       | Female |
| <b>25</b>                          | 148        | 256    |
| <b>30</b>                          | 128        | 220    |
| <b>35</b>                          | 108        | 184    |
| <b>40</b>                          | 76         | 140    |
| <b>45</b>                          | 48         | 112    |
| <b>50</b>                          | 44         | 108    |
| <b>55</b>                          | 52         | 116    |

#### III health retirement

| III health retirement decrements |        |        |
|----------------------------------|--------|--------|
| Age                              | Male   | Female |
| <b>20</b>                        | 0.0001 | 0.0002 |
| <b>30</b>                        | 0.0002 | 0.0003 |
| <b>40</b>                        | 0.0007 | 0.0011 |
| <b>45</b>                        | 0.0018 | 0.0022 |
| <b>50</b>                        | 0.0038 | 0.0045 |
| <b>55</b>                        | 0.0109 | 0.0136 |

#### Salary scales

| Salary scale adjustment |       |
|-------------------------|-------|
| Age                     | Scale |
| <b>Under 29</b>         | 3.00% |
| <b>30 to 34</b>         | 2.50% |
| <b>35 to 39</b>         | 1.80% |
| <b>40 to 44</b>         | 1.40% |
| <b>45 to 49</b>         | 0.75% |
| <b>Over 50</b>          | 0.50% |

#### Proportions married

| %         |             |
|-----------|-------------|
| Age       | Male/Female |
| <b>20</b> | 75          |
| <b>30</b> | 75          |
| <b>40</b> | 75          |
| <b>50</b> | 82          |
| <b>60</b> | 79          |
| <b>70</b> | 81          |
| <b>80</b> | 77          |
| <b>90</b> | 54          |

## H Schedule of Contributions

# Schedule of Contributions

## Magnox 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 Magnox 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 schedule dated 30 May 2017.

The contribution rates and payment dates have been agreed between the Trustee and the Nuclear Decommissioning Authority (the "Lead Employer"). The Employer is Magnox Limited. The Trustee and the Lead Employer have signed this schedule.

### Contributions to be paid to the Plan for the period from 31 March 2019 to 31 March 2032

#### 1) CPS Benefit Structure

##### ***Contributions in respect of future service***

**Member contributions:** 5.0% p.a. of Pensionable Earnings

##### **Employer contributions:**

1 April 2019 to 31 March 2021: 25.8% p.a. of Pensionable Earnings

From 1 April 2021: 30.9% p.a. of Pensionable Earnings

The above contributions are to be paid to the Plan on a monthly basis. All contributions shall fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19<sup>th</sup> of the subsequent month.

##### ***Contributions in respect of the funding shortfall in accordance with the Recovery Plan dated 27 August 2020***

##### **Employer contributions:**

The actuarial valuation of the Magnox Section as at 31 March 2019 revealed a funding surplus (value of assets minus technical provisions) of £1,045,000. However, a deficit exists after allowing for the underpayment against the cost of accrual up to 31 March 2021. The Trustee and Lead Employer have agreed that the Employer will contribute £110,000 per annum payable monthly between 1 April 2021 and 31 March 2032 in accordance with the Recovery Plan dated 27 August 2020. No allowance for outperformance has been made on the asset returns.

#### 2) New Joiners Benefit Structure

Employer contributions depend on the level of contributions each member elects to pay. As follows:

| Member Contributions | Employer Contributions |
|----------------------|------------------------|
| 3%                   | 8%                     |
| 4%                   | 9.5%                   |
| 5%                   | 11%                    |
| 6%                   | 12.5%                  |
| 7% or more           | 13.5%                  |

Percentages relate to the members' Pensionable Pay. The above member contributions are to be deducted from earnings by the Employer and all contributions to be paid to the Plan on or before the 19<sup>th</sup> of each following month.

### 3) Shift Pay Pension Plan

**Member contributions:** Minimum of 5% p.a. of Pensionable Shift Pay

**Employer contributions:**

1 April 2019 to 31 March 2021: 25.8% p.a. of Pensionable Shift Pay

From 1 April 2021: 30.9% p.a. of Pensionable Shift Pay

The above contributions are to be paid to the Plan on a monthly basis. All contributions shall fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19<sup>th</sup> of the subsequent month.

### Contributions in respect of Additional Voluntary Contributions

Any Additional Voluntary Contributions which members have chosen to make, whether invested on a defined contribution basis or used to purchase added years, are payable in addition to the above contribution rate and are to be paid on or before the 19<sup>th</sup> of the month after the month they have been deducted from members' earnings.

### Contributions in respect of benefit augmentations

The Employer will pay any contributions required to meet any benefit augmentations granted or benefit improvements as agreed with the Scheme Actuary.

### Contributions in respect of administration expenses and other costs

Any costs, charges and expenses incurred by the Magnox Section of the Plan and levies payable to the Pension Protection Fund will be met directly by the Employer unless the Lead Employer dictates that they are met from the assets of the Magnox Section or by the Lead Employer.

### Pensionable Earnings

The definition of Pensionable Earnings is all gross sums received annually by a member in terms of (a) salary or wages, excluding overtime, bonuses and Shift Pay which is pensionable separately under Shift Pay Pension Plan rules; (b) responsibility allowances; (c) any other emoluments included within the definition of Pensionable Earnings for purposes of the CPS Benefit Structure, and (d) any other emoluments of a kind which the Lead Employer declares to be reckonable as Pensionable Earnings and which are notified in writing to the Members concerned.

## Pensionable Pay

The definition of Pensionable Pay is all gross sums received annually by a member in terms of (a) salary or wages, excluding overtime but including Pensionable Shift Pay; (b) responsibility allowances; and (c) any other emoluments that the Lead Employer declares to be reckonable as Pensionable Pay and which are notified in writing to members concerned.

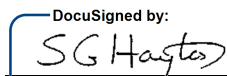
## Pensionable Shift Pay

The definition of Pensionable Shift Pay is that part of Shift Pay as is determined by the Employer with the consent of the Lead Employer. In which, 'Shift Pay' is the extra pay received by a Member by way of shift supplement in respect of shift working.

**This Schedule of Contributions dated 27 August 2020 has been agreed by the Lead Employer and the Trustee of the Plan:**

Signed on behalf of Nuclear Decommissioning Authority

Signature:

DocuSigned by:  


Name:

8404020F2264454...  
Steve Hayton

Position:

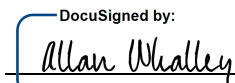
Head of Group Pensions, Nuclear Decommissioning Authority

Date:

27 August 2020 | 11:13:10 BST

Signed on behalf of the Trustee of the Plan

Signature:

DocuSigned by:  


Name:

71CB4450FE2A47B...  
Allan Whalley

Position:

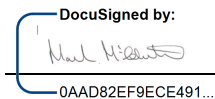
representing Strettea Independent Trustees Limited as Director

Date:

27 August 2020 | 02:48:23 PDT

This Schedule of Contributions, dated 27 August 2020 has been signed and agreed by the Trustee of the Plan after obtaining actuarial advice from me.

Signature:

DocuSigned by:  
  
0AAD82EF9ECE491...

Name:

Mark McClintock FIA

Position:

Scheme Actuary

Date:

27 August 2020

# Actuary’s certification of Schedule of Contributions

Name of Plan: Magnox 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 by the end of the period specified in the Recovery Plan dated 27 August 2020 for the Plan.

## 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 27 August 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 Magnox Section of the Combined Nuclear Pension Plan were to be wound up.

|                  |                                                                                                                                                                |                      |                                                  |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------|
| <b>Signature</b> | <div><div>DocuSigned by:</div><div></div><div>0AAD82EF9ECE491...</div></div> | <b>Date</b>          | 27 August 2020   12:54:59 BST                    |
| <b>Name</b>      | Mark McClintock                                                                                                                                                | <b>Qualification</b> | Fellow of the Institute and Faculty of Actuaries |
| <b>Address</b>   | Deloitte Total Reward and Benefits Limited<br>Lincoln Building<br>27 - 45 Great Victoria Street<br>Belfast<br>BT2 7SL                                          |                      |                                                  |

# I Recovery Plan

# Recovery Plan

## Magnox Section of the Combined Nuclear Pension Plan

This Recovery Plan has been prepared by the Trustee of the Combined Nuclear Pension Plan ("the Plan") for the purposes of Part 3 of the Pensions Act 2004, after receiving advice from Mark McClintock FIA, the Scheme Actuary.

This Recovery Plan has been agreed between the Trustee of the Plan and Nuclear Decommissioning Authority ("the Lead Employer").

## Status

The most recent actuarial valuation of the Plan disclosed that, at the valuation date of 31 March 2019, the value of the Plan's assets was greater than its Technical Provisions. The surplus was as follows:

| Assets and Technical Provisions at 31 March 2019 | £000s   |
|--------------------------------------------------|---------|
| Total technical provisions                       | 119,537 |
| Market value of assets                           | 120,582 |
| Surplus                                          | 1,045   |
| Funding level                                    | 101%    |

The new employer future service contribution rate of 30.9% of Pensionable Earnings is payable from 1 April 2021. From 1 April 2019 to 31 March 2021, the Employer will contribute 25.8% of Pensionable Earnings and a shortfall has arisen from the contributions being less than the cost of accrual. The allowance for this shortfall has been included in the contributions of this Recovery Plan, which produces an overall deficit.

## Statutory funding objective

The contributions agreed in the existing Schedule of Contributions will continue for two years from 1 April 2019 to 31 March 2021. The contributions will then change to the new rates for 11 years from 1 April 2021 to 31 March 2032.

The Trustee and the Lead Employer have agreed a recovery plan of annual contributions of £110,000 per annum, payable monthly, being paid to the Magnox Section of the CNPP by the Employer for 11 years commencing from 1 April 2021 to 31 March 2032. No allowance for outperformance has been made on the asset returns.

## Period in which the Statutory Funding Objective should be met

Based on the above contributions the funding shortfall is expected to be eliminated in 13 years from 1 April 2019.

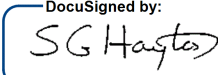
## Assumptions

The major financial assumptions used in the calculation of the required contributions are the same as those used to calculate the Plan's Technical Provisions as at 31 March 2019. These are outlined below.

| Assumption at 31 March 2019      | % per annum |
|----------------------------------|-------------|
| Price inflation                  |             |
| RPI                              | 3.30%       |
| CPI                              | 2.30%       |
| Discount rate                    | 3.60%       |
| Discount rate for future service | 4.00%       |

**This Recovery Plan dated 27 August 2020 has been agreed by the Lead Employer and the Trustee of the Plan:**

Signed on behalf of Nuclear Decommissioning Authority

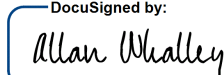
Signature:  DocuSigned by: 8404020F2264454...

Name: Steve Hayton

Position: Head of Group Pensions, Nuclear Decommissioning Authority

Date: 27 August 2020 | 11:10:53 BST

Signed on behalf of the Trustee of the Plan

Signature:  DocuSigned by: 71CB4450FE2A47B...

Name: Allan Whalley

Position: representing Strettea Independent Trustees Limited as Director

Date: 27 August 2020 | 02:47:21 PDT

# J S179 certificate

## Scheme/Section details

|                                                    |                                                                                                               |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Full name of scheme:                               | Combined Nuclear Pension Plan                                                                                 |
| Name of section, if applicable:                    | Magnox Section                                                                                                |
| Pension Scheme Registration Number:                | 19009602                                                                                                      |
| Address of Scheme (or section, where appropriate): | C/O Nuclear Decommissioning Authority<br>Building 329 west<br>Thomson Avenue<br>Harwell Campus<br>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)                   | £120,581,590  |
| 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)                | £95,334,613  |
| Deferred members (excluding expenses)              | £16,599,012  |
| Pensioner members (excluding expenses)             | £33,093,310  |
| Estimated costs of winding up                      | £2,950,269   |
| Estimated expenses of benefit installation/payment | £777,000     |
| External liabilities                               | £0           |
| Total protected liabilities                        | £148,754,204 |

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%                  | 10%                          | 90%                |
| Deferred members  | 0%                  | 19%                          | 81%                |
|                   | Before 6 April 1997 | After 5 April 1997           |                    |
| Pensioner members | 0%                  | 100%                         |                    |

## 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    | 385    | 51          |
| Deferred members  | 138    | 51          |
| Pensioner members | 322    | 64          |

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 September 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               |

# K Glossary

Key terms used throughout this report are summarised below

|                                               |                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Actuarial valuation</b>                    | A review carried out by an actuary to assess whether a pension scheme's assets are sufficient to meet its liabilities                                                                                                                                                                                                     |
| <b>Deficit Reduction Contributions (DRCs)</b> | The payments set out in the Recovery Plan to meet the funding shortfall                                                                                                                                                                                                                                                   |
| <b>Discount rate</b>                          | The rate used to place a present value on the projected benefit payments                                                                                                                                                                                                                                                  |
| <b>Employer</b>                               | Magnox Limited                                                                                                                                                                                                                                                                                                            |
| <b>Exchange</b>                               | The Pension Regulator's online scheme maintenance system.                                                                                                                                                                                                                                                                 |
| <b>Funding level</b>                          | The ratio of the value of assets to the value of the liabilities                                                                                                                                                                                                                                                          |
| <b>Funding valuation</b>                      | An actuarial valuation of the Section carried under legislation to determine the contributions payable to the Section in future.                                                                                                                                                                                          |
| <b>Guaranteed Minimum Pension ("GMP")</b>     | A minimum level of income provided to members of contracted-out pension schemes between 1978 and 1997.                                                                                                                                                                                                                    |
| <b>Pension Protection Fund ("PPF")</b>        | 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. |
| <b>Long Term Funding Target (LTFT)</b>        | 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                                                                                                                                             |
| <b>The Pensions Regulator</b>                 | The regulatory body for work-based pension schemes in the UK, which reviews the funding of private sector defined benefit pension schemes                                                                                                                                                                                 |

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Recovery Plan</b>                       | An agreement between the Trustee and the Employer for payments needed to meet any shortfall between the assets and Technical Provisions                                                                                                                                                                                                                                                                      |
| <b>s179 valuation</b>                      | <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> |
| <b>Schedule of Contributions</b>           | 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.                                                                                                                                                                                                                        |
| <b>Solvency position</b>                   | The ratio of the assets to the estimated cost of securing the Section's benefits in full with an insurance company                                                                                                                                                                                                                                                                                           |
| <b>Statutory Funding Objective ("SFO")</b> | The requirement that a defined benefit pension scheme should have sufficient and appropriate assets to cover its Technical Provisions                                                                                                                                                                                                                                                                        |
| <b>Statement of Funding Principles</b>     | The documented policy for meeting the SFO and the principles for determining the assumptions to calculate the Technical Provisions                                                                                                                                                                                                                                                                           |
| <b>Technical Provisions</b>                | The actuarial value of the accrued liabilities of the Section used to determine future contributions                                                                                                                                                                                                                                                                                                         |
| <b>Trustee</b>                             | The Trustee of the Section                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Transfer value</b>                      | The amount a scheme will pay on behalf of a deferred member who wishes to transfer their benefits to another pension arrangement                                                                                                                                                                                                                                                                             |
| <b>Valuation Date</b>                      | 31 March 2019                                                                                                                                                                                                                                                                                                                                                                                                |



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