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Actuarial Report 31 March 2020

GPS EnergySolutions Section of the Combined Nuclear Pension Plan

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Deloitte Total Reward and Benefits Limited
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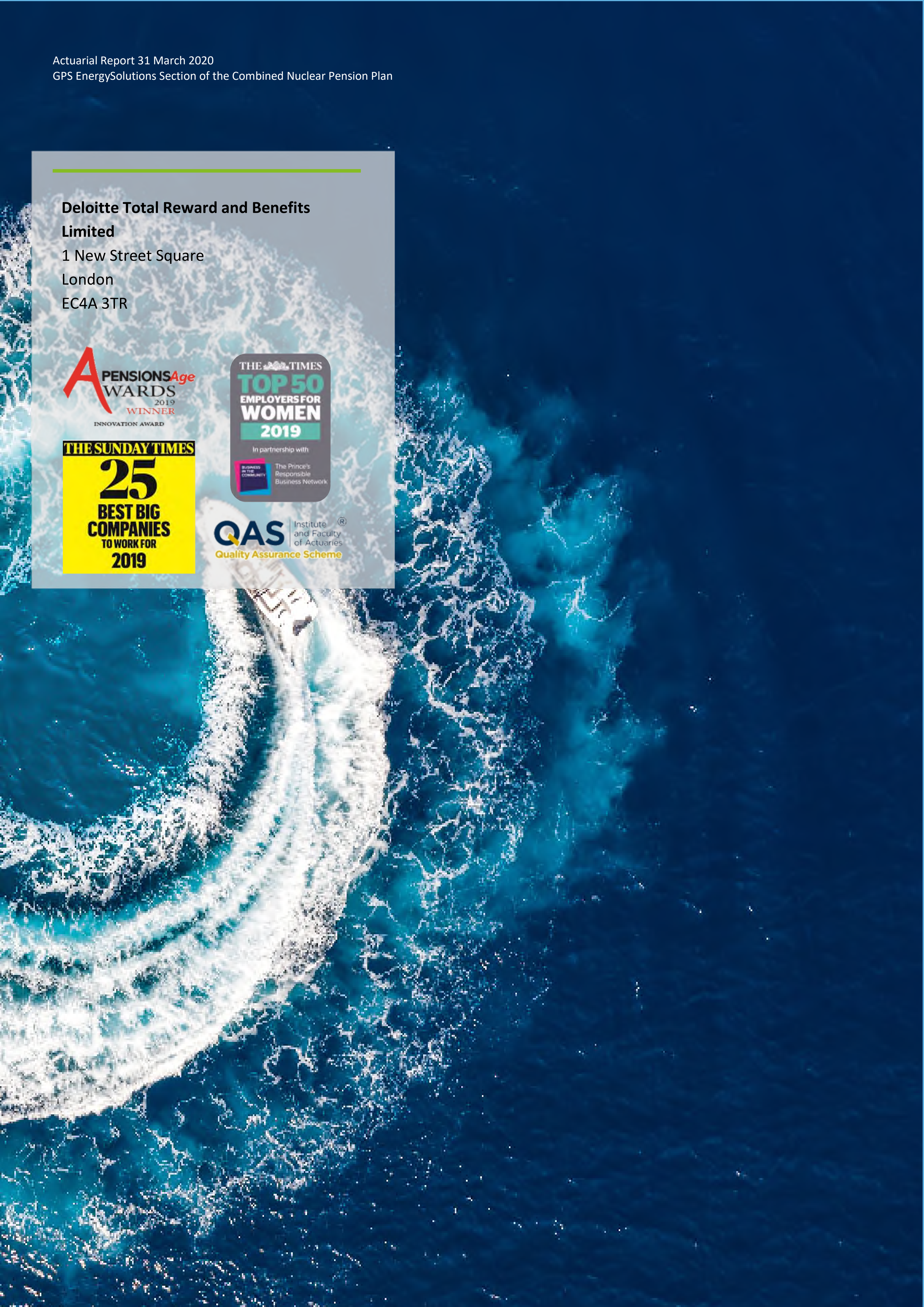

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1 Introduction

This report has been prepared for the *Trustee* of the GPS EnergySolutions Section of the Combined Nuclear Pension Plan (the "Section") and sets out the results of the Actuarial Report at 31 March 2020.

The purpose of this Actuarial Report is to provide an approximate update of the Section's funding position at 31 March 2020, following the *actuarial valuation* at 31 March 2019.

This report should be read in conjunction with:

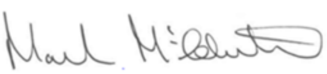
- The *Scheme Funding Report* dated 12 November 2020 for the actuarial valuation at 31 March 2019 and
- The in force *Statement of Funding Principles* and *Schedule of Contributions*, each dated 22 June 2020.

This report has been prepared in accordance with *Technical Actuarial Standard 100* and reviewed in accordance with Actuarial Professional Standard X2. This report has been drafted on the basis that it will not be used by the Trustee to support decisions on funding, contribution requirements or benefit levels. If this is not the case, please let me know.

This report may not be relied on for any purpose other than that 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.

In accordance with our terms of engagement, this report is addressed to the Trustee, but copies may be provided to the Employer. It may not be shown to any other party without the express written permission of Deloitte Total Reward and Benefits Limited and we do not accept any liability to any party other than the Trustee in relation to the contents of this Actuarial Report.

A glossary of defined terms can be found in Appendix C.

Signature	**Date**
	31 March 2021
Name	**Qualification**
Mark McClintock	Fellow of the Faculty and Institute of Actuaries

2 Summary of results

At the date of the Actuarial Report there was a surplus of £1,999,000. This is a deterioration since the last valuation when the surplus was £3,944,000.

The table below sets out the value of the assets and *Technical Provisions* at 31 March 2020 compared to the position at the Valuation Date, and the corresponding change in *funding level*.

£000's	31 March 2020 Actuarial Report	31 March 2019 valuation
Assets	25,236	27,239
Technical Provisions		
- Total liabilities	22,669	22,617
- Expenses	568	678
Total Technical Provisions	23,237	23,295
Surplus/(deficit)	1,999	3,944
Funding level	108%	117%

The scope of this Actuarial Report is limited to considering the funding position at 31 March 2020. However, due to the buy-in transaction that took place during May 2019 with Just Retirement, the funding position of the Section will have remained stable after this date.

In addition to the surplus, the Section benefits from an escrow agreement between EnergySolutions Inc and the Trustee. EnergySolutions Inc paid £2.5m into the escrow account during July 2018 and the Trustee may call upon the assets if it requires additional funds to finalise the buyout and windup of the Section. When the windup is completed any assets in the escrow account will be released and surplus assets in the Section are to be returned to the employer.

3 Methodology overview

I have valued the Technical Provisions as at 31 March 2020 by approximately rolling forward the results of the valuation.

To value the Technical Provisions, I have allowed for:

- changes in financial conditions between the Valuation Date and the date of this Actuarial Report;
- actual inflationary increases to deferred benefits and pensions in payment;
- actual benefit payments and expenses paid into and out of the Section; and
- the purchase of annuities for all members of the Section with Just Retirement on 22 May 2019.

As no new member data has been used for this report, membership movements are implicitly assumed to be in line with the projections made at the valuation.

If actual member experience (e.g. number of deaths or transfers out of the Section) is significantly out of line with expectations, then the liability values calculated using full membership data may be materially different from the estimate given in this report. As the liabilities for the members are secured via a buy-in policy, a fall in the liabilities would also see a corresponding fall in the value of the insured assets with the net funding impact being zero.

Proposed changes to RPI

The UK Statistics Authority (UKSA) announced on 4 September 2019 that it intends to reform the Retail Prices Index (RPI) to bring it into line with CPIH, which is the Consumer Prices Index (CPI) including owner occupiers' housing costs. The Government carried out a public consultation on the matter during 2020, covering the timing and methodology used in any change. The results of this consultation were released on 25 November 2020. It concluded that RPI will be reformed to be in line with the CPIH with the transition taking place during 2030, and that no compensation would be paid to index-linked gilt holders.

It is my view that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases at 31 March 2020, including the changes in the RPI index to CPIH. I am therefore not proposing to make any specific adjustments.

4 Experience since the valuation

Since the valuation the surplus has decreased from £3,944,000 to £1,999,000, mainly as a result of the terms of the buy-in being slightly more expensive than the Technical Provisions basis as at 31 March 2019.

The key reason for the change in funding position is the result of the buy-in transaction on 22 May 2019 with Just Retirement as the premium was £24.6m compared to the Technical Provisions at 31 March 2019 of £22.6m.

A summary of the reasons for the change are set out in the table below.

	£000's
Surplus/(deficit) at 31 March 2019	3,944
Interest on the surplus	8
Deficit contributions paid by the Employer	-
Impact of the buy-in transaction	(1,953)
Changes in market conditions	-
Pension increases (in payment and deferment)	-
Surplus/(deficit) at 31 March 2020	1,999

There have been no significant events that have occurred since the effective date of the annual update that has affected the membership profile or the benefits of the Section.

As the Section does not hold any equity or growth-type assets, the Section would not have been affected by the market volatility that occurred after the outbreak of COVID-19.

There has been an increase in expected RPI inflation and the assumption as at 30 November would be 3.35% or 0.35% p.a. above the figure at 31 March 2020 and increases the Section's liabilities. Gilt yields were similar at 31 March 2020 and 30 November 2020. However, the changes in market conditions will not affect the funding position as any change in the Technical Provisions will be matched by a change in the value of the insured annuities.

5 Next steps

The Trustee is required to share the results of this report with the Employer and members.

Following receipt of this report the Trustee should:

- Send a copy of this report to the Employer within seven days; and
- Provide a summary funding statement to members within a reasonable period.

A further Actuarial Report is due with an effective date of 31 March 2021, and the next full actuarial valuation is due at 31 March 2022, if the buyout and windup of the Section hasn't finalised by that date.

Appendices

A Assumptions

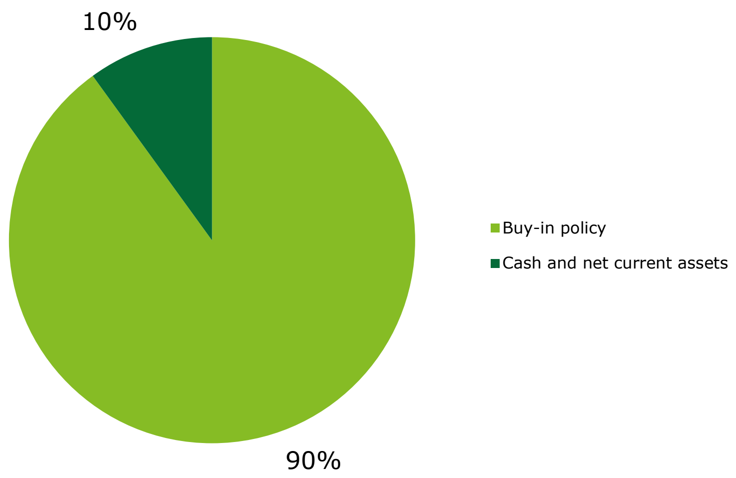
The key financial assumptions used to calculate the Technical Provisions for this Actuarial Report are set out below. The corresponding assumptions used for the valuation are shown for comparison.

These assumptions have been based on the methodologies set out in the in force Statement of Funding Principles, as determined by the Trustee and Employer, and updated for market conditions.

Technical Provisions	31 March 2020 Actuarial Report	31 March 2019 Valuation
Discount rate	Pre-retirement: 0.35% Post-retirement: 0.85%	Pre-retirement: 1.10% Post-retirement: 1.60%
Retail Prices Index (RPI) inflation	3.00%	3.60%
Inflation-linked pension increases in payment	3.00%	3.60%
Post-retirement mortality	90% SAPS S3 All Pensioners YoB and CMI 2018 projections with a long term trend of 2% p.a.	
Pre-retirement mortality	Same as post-retirement mortality	
Retirement	Age 60 or 65 as applicable to specific members	
Proportion married	85% at date of retirement	
Age difference	Males 3 years older than females	
Cash commutation	No allowance	
Expenses	3% of the Section's liabilities as at 31 March 2019 less the actual expenses to date	3% of the Section's liabilities

B Assets

I have used an asset value of £25,916,000 as at 31 March 2020. This is based on the audited value in the Trustee's Report and Accounts, excluding Defined Contribution assets.



C Glossary

Key terms used throughout this report are summarised below

Actuarial Report	A report commissioned by the Trustee to provide an update of the Plan's funding position at a time between full actuarial valuations
Actuarial valuation or valuation	A review carried out by an actuary under legislation at least every three years to assess whether a pension scheme's assets are sufficient to meet its liabilities and determine the contributions payable to the Plan in the future
Buy-in	A transaction with an insurer that covers some or all of a pension scheme's liabilities and helps to remove risk.
Discount rate	The rate used to place a present value on the projected benefit payments
Employer	ATK Energy EU Limited
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
Recovery Plan	An agreement between the Trustee and the Employer for payments needed to meet any shortfall between the assets and Technical Provisions
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

Scheme Funding Report	A report prepared by the Scheme Actuary setting out the results of the actuarial valuation
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 Actuarial Standard 100	A professional standard issued by the Financial Reporting Council which applies to technical actuarial work
Technical Provisions	The actuarial value of the accrued liabilities of the Section
Trustee	The Trustee of the Section
Valuation Date	31 March 2019

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