To: Nuclear Decommissioning Group

14 December 2022

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Dear Colleague

NDA Final Salary Pension Reforms – Energy Bill Update

The two final salary pension schemes in the NDA group are:

- the defined benefit sections of the Combined Nuclear Pension Plan (CNPP)
- the Magnox Electric Group of the Electricity Supply Pension Scheme (ESPS)

The government previously decided to apply the principles of the 2011 reforms of public service pension schemes to the final salary pension schemes in the NDA group.

The recognised trade unions were able to negotiate a bespoke set of reforms – in particular, retaining existing pension ages rather than having pension age linked to State Pension Age - to apply to these schemes instead.

Details of final proposed reforms are set out in Annex A below. These were agreed by a majority of the Prospect members affected in branch-based ballots in 2017.

Due to the statutory protections enjoyed by many active members of these two schemes, these reforms could only be implemented after primary legislation was passed.

For various reasons, this legislation was not brought forward in the expected timescale and the schemes have not been reformed.

The delay in implementing the agreed reforms has benefited members significantly. The ultimate savings will now only be a fraction of those originally anticipated.

The Energy Security Bill was introduced to Parliament on 6 July 2022, and the government announced that it would include measures to implement the reforms to the NDA's final salary pension schemes.

The Bill's progress was held up as a result of the turmoil affecting government in recent months. However, the process has recently restarted, and we understand that draft legislation to implement the reforms will be published in the New Year.

It is not possible to predict what the outcome of the Parliamentary process will be, or how long it will take, but it seems likely that the government will be able to pass the legislation necessary to implement these reforms.

Other steps will have to be taken before the reforms can take effect. We cannot provide any guarantees about timescales, but it seems unlikely that this process can be completed before April 2024.

New Prospect House
8 Leake Street
London
SE1 7NN

0300 600 1878
info@prospect.org.uk
prospect.org.uk

Anyone who retires before the reforms are implemented will be completely unaffected by them.

However, it is very important to note that this should not be interpreted as implying that there is any particular incentive to retire before the reforms are implemented.

All that will happen after the reforms are implemented is that members of these schemes will start to pay slightly higher contributions for slightly less generous benefits.

Members will still be building up very valuable benefits in these schemes from the date any reforms come in, and the benefits built up before that date will be completely protected in all cases.

The financial context is now very different compared to when the reforms were put to members in a ballot. In particular, higher contributions to these schemes will further squeeze take-home pay at a time when the cost of living is very high.

However, consultation with branches in recent months has indicated that members are generally still satisfied with the overall agreement and do not think it should be re-opened.

It has been a long time since members voted on these reforms and it will be necessary to hold a series of briefing sessions to help them understand the likely impact on their pension income. These will be organised once there is more certainty about implementation.

We will provide further updates when more information is published.

Yours sincerely

Neil Walsh

Penson Officer

Annex A

Type of Scheme	Defined Benefit – Career Average Revalued Earnings (CARE)
Pension Age	No change to current provision
Accrual Rate	1/58th (= 1.724% of earnings)
Revaluation Rate	Inflation (CPI)
Pension Increases	Inflation (CPI)
Retirement Lump Sum	None (can take £12 lump sum for every £1 pension given up to maximum allowed)
Member Contribution Rates	Tiered (see note below)
Pensionable Pay	No change to current provision
Ill-health Benefits	No change to current provision
Adult Dependent's Benefits Pension Enhancement on death in service	37.5% of member's pension No change to current provision
Lump Sum payable on death	No change to current provision
Children's Pension	1 or 2 children: 30% (50% if no adult dependent's pension in payment) of member's pension each 2 or more children: equal shares of 60% (100% if no adult dependent's pension in payment) of member's pension
Early or Late Retirement	No change to current provision
"Added Years"	Existing contracts honoured, in future can buy "Added Pension"
AVCs	No change to current provision
Shift Pay Pension Plan	No change to current provision
Statutory Protections	Pension protections will be modified to enable the implementation of pension reform only.
Access to Pension on redundancy	No change to current provision
Transitional protection	Not applicable because no change to pension age

- Member Contribution Rates

Member contributions will be tiered to reflect the fact that higher earners benefit from the impact of tax relief at a higher rate. Increases will be phased in over three years in equal steps subject to a maximum increase in any one year of 1.0%, and, where required, a fourth year increase of the balance to achieve the levels set out in the table below:

Earnings band	Member contribution rate (gross of tax relief)	Member contribution rate (net of tax relief)
£11,000 or less	As currently	As currently
£11,001 to £43,000	7%	5.6%
£43,001 to £150,000	9%	5.4%
More than £150,000	11%	5.5%