

The NDA group Pension Reform

*Your guide to the Career
Average Revalued Earnings
Scheme, CARE*

October 2023



How to use this document

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There's a summary of the key differences between existing schemes and CARE. Go to page X.

What it means for you: exact pension calculations depend on different variables like years of service and additional years bought to name a few, so we can't tell you in this guide exactly what your new pension will be. But we've included some examples to help you make sense of the new scheme. Go to page X.

What happens to your final salary pension: a reminder about the current final salary scheme and how your existing benefits are protected once CARE is introduced. Go to page X.

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Introduction

This guide is for you, an active member of one of the following final salary pension schemes in the NDA group:

- Combined Nuclear Pension Plan (CNPP) including the Group Pension Scheme (GPS); and
- Magnox Electric Group of the Electricity Supply Pension Scheme (MEG ESPS)

The existing NDA final salary pension schemes are changing to a Career Average Revalued Earnings (CARE) scheme. This will be introduced on 1 April 2024.

This guide explains:

- why your pension scheme is changing
- how your pension benefits will build in the future
- what happens to your existing final salary pension
- how much you will pay in contributions.

It isn't intended to be a complete guide to pensions— if you have questions about planning for retirement and your pension investments, you should consult an independent financial advisor.

You don't need to take any action to move from final salary to CARE – your employer will take care of the practical details. However, we recommend that you use the information in this guide to understand the changes and what they mean.

We've provided simple examples to give you a flavour of what's likely to change for you. We've also used monetary values as of October 2023, unless we've stated otherwise.

The NDA Pensions Reform portal contains more information, including a calculator so you can see how the changes affect you. There are also more examples showing how members with different ages and lengths of service will be affected. Please use the link here to go to the website: [The NDA group Pension Reform](#)

Key terms

- **Accrual rate:** The proportion of pensionable pay that each year of membership adds to your pension – effectively the speed at which your pension builds up
- **Benefits:** Any payments made on behalf of your pension including lump sum, pension payments and death benefits
- **CARE:** Career Average of Revalued Earnings. A type of defined benefit pension scheme calculated using your average earnings over your career and the length of membership of the scheme
- **Consumer Prices Index (CPI):** This is the official measure of price inflation determined by the Office of National Statistics
- **Contributions:** Money paid into your pension scheme
- **Deferred Pension:** Pension built up by members who have left pensionable service but not yet taken their pension
- **Defined Benefit:** A pension scheme that determines how much pension you will get by reference to a set formula, rather than the performance of investments and cost of annuities. The amount of pension you will receive is based upon how many years you have been in the scheme and your salary
- **Final salary:** A type of defined benefit pension scheme in which your pension is determined by your length of service and salary at retirement
- **Member:** A person who, having joined a pension scheme, has built up benefits in that scheme
- **Normal Pension Age (NPA):** The earliest age at which a member can receive full pension benefits. It is not the same as your intended retirement from employment
- **Pensionable pay:** The pay used to calculate employee contributions and benefits as defined in the pension scheme rules
- **Pensionable service:** The period of service as a member of a pension scheme relevant for determining benefits
- **Revaluation rate:** The rate by which pension built up each year under a CARE arrangement is increased, while the member is in pensionable service. The index used will be the Consumer Price Index published by the Office for National Statistics
- **Tax relief:** Pension contributions are deducted from your earnings before tax. This is known as pension tax relief

CARE, why it's being introduced and when

The UK Government is reforming public sector pensions schemes to make them more sustainable. Since the Public Service Pensions Act 2013, more than four million public sector workers have moved to new pension arrangements.

Recognising the vital work that you deliver as part of the NDA group the Department for Business, Energy and Industrial Strategy (now Department for Energy Security and Net Zero) and the NDA worked with our trade unions in 2017 to develop an agreed pension scheme tailored to our employees. This resulted in a proposed CARE scheme in line with the key principles of similar reforms already in place elsewhere in the public sector.

Legislation is required to reform the NDA pension schemes. This is contained within the Energy Bill 2022, expected to become law this year.

The move from final salary schemes to the CARE scheme will take place on 1 April 2024.

Comparing Final Salary and CARE Schemes

Final salary schemes

Final salary is a defined benefit pension scheme. When you retire, you will receive a pension based on:

- The length of your pensionable scheme service; and
- Your pensionable final pay.

This doesn't change when CARE is introduced.

Your pension includes an annual pension and a one-off tax-free lump sum. Remember that your annual pension will be subject to income tax.

You earn an annual pension of 1/80th of your pensionable final pay for each year of service in the plan. You also earn a lump sum of 3 times your annual pension. Your lump sum will be payable free of tax, subject to HMRC limits.

You can also choose to (give up some of your annual pension to increase the lump sum amount you receive)

The Normal Pension Age is the age at which you **can** retire. This is 60, 63 or 65, depending on which final salary scheme you're a member.

Once in payment, the annual pension will increase each year in line with price inflation. This is measured by reference to the Retail Prices Index (RPI).

EXAMPLE



Jack retires with 10 years' pensionable service in the final salary scheme.

Jack's pensionable final pay is £55,000 a year. Jack's annual pension = $(1/80 \times £55,000 \times 10 \text{ years}) = £6,875$ a year.

Jack also receives a lump sum of £20,625 on retirement (3 times the annual pension).

Once in payment, Jack's annual pension will increase each year in line with price inflation.

Final salary benefits once CARE is introduced

You will continue to accrue final salary benefits up to the date the CARE scheme goes live on 1 April 2024.

The calculation of those benefits will continue to be linked to final salaries after CARE goes live.

EXAMPLE



At the point that CARE is introduced, Jack has 10 years' service in the final salary scheme and intends to work for a further 5 years before retiring.

Jack's salary at the point that CARE is introduced is £55,000. Let's assume that their salary on retiring in 5 years' time will be £63,500.

When Jack retires, their final salary pension benefits (ie annual pension and lump sum) will be calculated using 10 years' service and pensionable final pay of £63,500.

In addition, Jack will build up benefits under CARE for the final 5 years of employment.

There will be no change to existing normal pension ages.

Most CNPP DB members will have a normal pension age of 60, and some have a normal pension age of 65.

MEG ESPS members have a normal pension age of 60 or 63, depending on when they joined the scheme.

Other final salary scheme information

There are further member benefits provided under both final salary and CARE pension schemes, (for example, ill health retirement, and death in service benefits). These are not covered in this guide. For further information please refer to:

[Defined Benefit \(DB\) | Combined Nuclear Pension Plan \(cnpp.org.uk\)](#) or

<https://www.cnpp.org.uk/gps/> or

<https://my-magnox-pension.com/> or your local pension contact.

CARE schemes

Career Averaged Revalued Earnings (CARE) is also a defined benefit pension but benefits are accrued differently.

Under CARE, each year you build up a 'slice' of pension equal to 1/58th of your pensionable pay in that year. When you retire, your total pension under the CARE arrangement will be calculated by adding up each of the slices you have built up throughout the years.

In this way, the scheme calculates your pension benefits on the average of your pensionable pay over your working life. That's why it's called 'Career Average'.

Each year, each slice of pension will be adjusted in line with the Consumer Price Index (CPI) to recognise changes in the cost of living. That's why it is referred to as 'Revalued Earnings'. This can be shown as follows:



The example below shows the way a Career Average pension builds up. In this example we have assumed a small cost of living increase is applied each year.

If you earned £30,000 in one scheme year, on 31 March of that year you would add £517 to your CARE pension:

$$\pounds 30,000 \times 1/58 = \pounds 517.24$$

The annual adjustment is applied to the total pension balance at the start of the scheme year, in this case it's a 2% increase:

$$\pounds 517.24 + 2\% = \pounds 527.59$$

If you earned the same amount the following year, you would add another £517.24:

$$\pounds 30,000 \times 1/58 = \pounds 517.24$$

$$\pounds 527.59 + \pounds 517.24 = \pounds 1,044.83$$

The annual adjustment is applied to the total pension balance at the start of the next scheme year, again it is a 2% increase:

$$\pounds 1,044.83 + 2\% = \pounds 1,065.73$$

This continues every year you are an active member of CARE.

Once in payment, the annual pension will increase each year in line with CPI.

Although there is no 'automatic' cash lump sum under the CARE arrangement, you can take a lump sum from CARE, by giving up some of your annual pension. Each £1 of annual CARE pension can be exchanged for £12 of cash lump sum.

EXAMPLE



Jack will receive an annual CARE pension on retirement valued at £2,500.

He wishes to receive a lump sum from CARE worth £6,000. Using the 1:12 exchange rate, he exchanges £500 of his annual pension. He will now receive a CARE pension of £2,000 and a CARE lump sum of £6,000.

Your contributions with CARE

Your contributions will increase on 1 April 2024.

This increase will be introduced in 1% steps over 3 years, with a fourth-year increase where required.

The amount of contributions you will pay will depend on which earnings band you fall into, taking account of your pensionable pay. The current earnings bands are given in Appendix 2.

These will be adjusted in October 2023 to take account of CPI as at September 2023. After that, the bands will be reviewed regularly to ensure that the overall average level of contribution remains at 8.2%. Most employees will pay 7% or 9%.

It's important to remember that your employer will continue to deduct your contributions from your pay before income tax is paid, so that you receive tax relief at your marginal rate. This means that if you are a basic rate taxpayer and pay tax at 20%, every £1 of contribution costs you 80p. If you are higher rate taxpayer and pay tax at 40%, every £1 of contribution will cost you 60p

If your employer operates a salary sacrifice arrangement, you will also receive tax benefits due to your salary being reduced.

For more information about employee contribution rates, please see appendix 1.

At a glance: Key differences between final salary and CARE

The following table provides a summary of the key differences between final salary and CARE.

	FINAL SALARY	CARE
How the annual pension is calculated	You earn an annual pension of 1/80th of your pensionable final earnings for each year of reckonable service in the plan.	You will build up a 'slice' (1/58th) of pension based on your pensionable pay in that year. Each slice is revalued to retirement in line with CPI.
How the lump sum is calculated	Lump sum is provided at the rate of 3 x annual pension. <i>(something about giving up pension to increase lump sum)</i>	There is no automatic lump sum, though there's the option to exchange £1 of annual pension for £12 lump sum.
Accrual Rate	1/80th of Pensionable final earnings	1/58th of Pensionable earnings
Pension Age	60, 63 or 65, dependent on the final salary scheme you are a member of.	60, 63 or 65, dependent on the final salary scheme you are a member of.
Employee contributions	A fixed percentage	Tiered according to earnings
Annual pension in payment adjusted by	Retail Prices Index	Consumer Prices Index
Pensionable Pay	Specified by each employer	No change to current provision

What CARE means for you – *examples*

This section provides a comparison of final salary and CARE pension and lump sum benefits for six example individuals who represent a selection of the current membership across the CNPP and Magnox final salary schemes:

Example	1	2	3	4	5	6
Age	47	52	57	53	57	50
Pensionable service in current scheme	15	15	15	30	15	25
Salary	£45,000	£50,000	£55,000	£70,000	£40,000	£58,000
Working hours	Full-time	Full-time	Full-time	Full-time	50% part-time	Full-time
Normal Pension Age	60	60	60	60	60	63
Pension scheme	CNPP	CNPP	CNPP	Magnox	CNPP	Magnox

These examples only include benefits in the CNPP and Magnox Pension Scheme, and not other possible benefits, for example, in the UKAEA Combined Pension Scheme.

Example 3

In detail – Pat

In April 2024 Pat will be 57 years old and will have 3 years until they reach their normal pension age of 60. Pat already has 15 years **reckonable** service in the final salary scheme. When Pat retires and gets their pension benefits at age 60, they will have built up a further 3 years of pension benefits. Pat’s current pensionable salary is £55,000.

We assume Pat’s salary increases each year by 1.5% more than price inflation. For this comparison the pension and lump sums are shown in today’s money and ignore the impact of future inflation.

Under the final salary scheme Pat will receive a pension and automatic lump sum based on their final pensionable salary and their reckonable service in the scheme when they retire. The lump sum is usually three times the pension. If Pat was able to continue in the final salary scheme to age 60, they would receive an annual pension of £12,910 and a lump sum of £38,730.

Because the CARE scheme is being introduced on 1 April 2024, Pat will not build up any more reckonable service in the final salary scheme, although their benefits in it will continue to be linked to their final pensionable salary. Pat will receive a final salary pension of £10,780 and a lump sum of £32,350 at retirement from their pre-April 2024 service.

Final salary benefits if CARE was not being implemented

Pat	Annual pension at retirement			Lump sum at retirement		
	Accrued pre-April 2024	Accrued post-April 2024	Total pension	Accrued pre-April 2024	Accrued post-April 2024	Total lump sum
Existing scheme	£10,780	£2,120	£12,910	£32,350	£6,370	£38,730

Once the CARE scheme is introduced, in addition to Pat's benefits from the final salary scheme, Pat will also have a pension and can choose to draw a lump sum from their 3 years in the CARE scheme.

Under the CARE scheme Pat will receive a pension based on a proportion of their pensionable earnings each year averaged over time. At retirement Pat can choose to convert some of their CARE pension into a lump sum.

If Pat wishes to maximise their pension and simply draw their CARE pension without any CARE lump sum, they will receive a pension of £2,890 which will be added to their final salary pension.

In total, Pat will receive a pension of £13,670 and a lump sum of £32,350 at retirement.

Final salary benefits and 3 years of CARE benefits with maximum CARE pension

Pat	Annual pension at retirement			Lump sum at retirement		
	Accrued pre-April 2024	Accrued post-April 2024	Total pension	Accrued pre-April 2024	Accrued post-April 2024	Total lump sum
Existing scheme and Maximum CARE pension	£10,780	£2,890	£13,670	£32,350	-	£32,350

Pat could decide instead to receive the maximum lump sum allowed. Pat would need to exchange some of their CARE and final salary pensions for more CARE and final salary lump sum. In all, Pat will receive a pension of £12,940 and a lump sum of £72,910 at retirement.

Final salary benefits and 3 years of CARE benefits with maximum lump sum

Pat	Annual pension at retirement			Lump sum at retirement		
	Accrued pre-April 2024	Accrued post-April 2024	Total pension	Accrued pre-April 2024	Accrued post-April 2024	Total lump sum
Existing scheme and Maximum lump sum	£9,080	£1,860	£10,940	£60,540	£12,380	£72,910

The table below shows pre-April 2024 and post-April 2024 elements for the alternatives considered above:

Pat	Annual pension at retirement			Lump sum at retirement		
	Accrued pre-April 2024	Accrued post-April 2024	Total pension	Accrued pre-April 2024	Accrued post-April 2024	Total lump sum
Existing scheme	£10,780	£2,120	£12,910	£32,350	£6,370	£38,730
Existing Scheme and Maximum CARE pension	£10,780	£2,890	£13,670	£32,350	-	£32,350
Existing Scheme and Maximum lump sum	£9,080	£1,860	£10,940	£60,540	£12,380	£72,910

Moving to consider employee contributions, Pat currently contributes 5% of their pensionable earnings for their final salary pension.

When the CARE scheme is introduced in April 2024, Pat's contribution rate will increase by 1% and will increase again by 1% each April for three years.

Pat's contribution rate will ultimately increase to 9% which corresponds to Pat paying an additional £110 each month, after tax relief, on their current salary.

For those employees participating in their employer's salary sacrifice arrangements for pensions

If you participate in your employer's salary sacrifice for pensions arrangement, you have agreed to a reduction in salary that is equal to your pension contribution. In return, your employer enhances the contribution it pays by the employee contribution you would have paid, had you not been in salary sacrifice. Under these arrangements, employee contributions are therefore 'notional'.

When the term 'employee contribution' is mentioned in this guide it's intended to refer to both actual and notional employee contributions.

The NDA Pensions Reform portal contains more information, including a calculator so you can see how the changes affect you. There are also more examples showing how members with different ages and lengths of service will be affected. Please use the link here to go to the website: [The NDA group Pension Reform](#)

Further sources of information

ABOUT	WHERE TO FIND HELP
The pension scheme changes, including access to a calculator, additional examples and Frequently Asked Questions	NDA Group Pension Reform Portal <ul style="list-style-type: none"> • The NDA group Pension Reform
Your current pension benefits advice	Pension benefit statements, available online via the member self-service websites: <ul style="list-style-type: none"> • UKAEA Pension Scheme - EQ Member Website (equiniti.com) • Combined Nuclear Pension Plan (cnpp.org.uk) • Magnox Group of ESPS (myesps.co.uk)
General pensions and financial advice	You may find the Money Helper website a helpful source of information, including how to find an Independent Financial Advisor if you require personal advice about your pension. This website provides free impartial advice and is backed by HM Government. <ul style="list-style-type: none"> • https://www.moneyhelper.org.uk/en
Local pensions advice	Further information can be provided by the Pensions teams in each of the Operating Companies: <p>Sellafield Ltd:</p> <ul style="list-style-type: none"> • GBS.pensions@sellafieldsites.com <p>Magnox Ltd:</p> <ul style="list-style-type: none"> • group.pensions@magnoxsites.com <p>Nuclear Waste Services:</p> <ul style="list-style-type: none"> • llwr.hr@llwrsite.com <p>Nuclear Transport Solutions:</p> <ul style="list-style-type: none"> • human.resources@ntsglobal.uk

Appendix

One:

Employee contributions

Employee contributions for final salary schemes

	CNPP DB (CPS section)	CNPP DB (GPS Section)	(MEG) Electricity Supply Pension Scheme
Rate applied to pensionable pay	5%	5%	6%

Note: The above contribution rates are typical, but some CNPP DB members pay 1.5%, and some MEG ESPS members pay 0% or 5%.

Employee Contributions in the CARE scheme

The earnings bands shown in the tables below are based as at 2023 and will be updated in April 2024 by September 2023 CPI.

Each April, your percentage contribution will be determined based on your pensionable pay at that date. The rate will then be fixed for the whole year, even if you receive a pay

increase that would take you to the next earnings band.

The tables below reflect the typical contribution transitions. For the minority of members who pay different contribution rates now (see above), there will be a different transitional arrangement. Further information is available from your local pension team.

Employee contributions for CNPP members:

Earnings Bands	2024/25	2025/26	2026/27	2027/28
£13,068 or less	5%	5%	5%	5%
£13,069 - £51,086	5.66%	6.33%	7%	7%
£51,087 - £178,207	6%	7%	8%	9%
More than £178,208	6%	7%	8%	11%

Employee contributions for ESPS members:

Earnings Bands	2024/25	2025/26	2026/27	2027/28
£13,068 or less	6%	6%	6%	6%
£13,069 - £51,086	6.33%	6.66%	7%	7%
£51,087 - £178,207	7%	8%	9%	9%
More than £178,208	7%	8%	9%	11%

Appendix Two:

Further examples of how CARE
will affect different employees

In the table below and opposite, for each of the 6 examples, the pension and lump sum at retirement is separated into their pre-April 2024 and post-April 2024 elements for comparison against current final salary benefits:

- **Existing scheme** – assuming the current final salary pension schemes if CARE was not being introduced;
- **Maximum CARE pension** – maximising the CARE annual pension without taking any CARE lump sum; and
- **Maximum lump sum** – maximising the lump sum, exchanging some CARE and some final salary annual pension for additional lump sum.

For the comparison the pension and lump sums are shown in today's money ignoring the impact of future inflation.

Comparison of final salary and CARE pension and lump sums and employee contributions for each example

	1	2	3	4	5	6	
Age	47	52	57	53	57	52	
Pensionable service in current scheme	15	15	15	30	15	15	
Salary	£45,000	£50,000	£55,000	£70,000	£40,000	£58,000	
Working hours	Full-time	Full-time	Full-time	Full-time	50% part-OT	Full-time	
Normal Pension Age	60	60	60	60	60	63	
Pension scheme	CNPP	CNPP	CNPP	Magnox	CNPP	Magnox	
Existing Scheme							
Annual pension at retirement	Accrued pre-April 2024	£10,240	£10,560	£10,780	£29,130	£3,920	£22,000
	Accrued post-April 2024	£8,740	£5,550	£2,120	£6,700	£770	£11,270
	Accrued Total pension	£18,980	£16,110	£12,910	£35,830	£4,690	£33,260
Lump sum at retirement	Accrued pre-April 2024	£30,720	£31,680	£32,350	£87,400	£11,760	£65,990
	Accrued post-April 2024	£26,230	£16,650	£6,370	£20,090	£2,320	£33,810
	Accrued Total lump sum	£56,950	£48,330	£38,780	£107,490	£14,080	£99,790

continued opposite

Existing Scheme and maximum CARE pension							
Annual pension at retirement	Accrued pre-April 2024	£10,240	£10,560	£10,780	£29,130	£3,920	£22,000
	Accrued post-April 2024	£11,050	£7,270	£2,890	£8,840	£1,050	£14,240
	Accrued Total pension	£21,290	£17,830	£13,670	£37,970	£4,970	£36,230
Lump sum at retirement	Accrued pre-April 2024	£30,720	£31,680	£32,350	£87,400	£11,760	£65,990
	Accrued post-April 2024	-	-	-	-	-	-
	Accrued Total lump sum	£30,720	£31,680	£32,350	£87,400	£11,760	£65,990
Existing Scheme and Maximum lump sum							
Annual pension at retirement	Accrued pre-April 2024	£8,620	£8,890	£9,080	£35,620	£3,300	£19,150
	Accrued post-April 2024	£7,100	£4,670	£1,860	£5,680	£680	£9,150
	Accrued Total pension	£15,720	£13,570	£10,940	£31,300	£3,980	£28,300
Lump sum at retirement	Accrued pre-April 2024	£57,480	£59,290	£60,540	£170,800	£22,010	£127,660
	Accrued post-April 2024	£47,340	£31,160	£12,380	£37,880	£4,500	£61,010
	Accrued Total lump sum	£104,820	£90,440	£72,910	£208,680	£26,510	£188,680
Increase in monthly contributions paid							
Increase before tax	£150	£170	£180	£230	£70	£190	
Net increase ie increase after tax	£90	£100	£110	£140	£50	£120	

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Appendix three:

Some differences between NDA final salary schemes

In this guide, we explain the key changes as they apply to all the final salary schemes within the NDA. There are, however, some differences between the schemes.

Members of the CNPP DB scheme (CPS Section)

If you are a member of this scheme, it's likely that you will also have "active deferred" benefits arising from the UKAEA Combined Pension scheme (UKAEA CPS). Every year, you receive two separate pension statements: one for the UKAEA CPS and one for the CNPP DB scheme.

The changes described in this guide only apply to the CNPP DB scheme. Your benefits under the UKAEA CPS remain unaffected.

All the examples in this guide describe the changes being made to the CNPP DB scheme only. To understand the full picture regarding your pension benefits, please

remember that the benefits you will receive from the UKAEA CPS are in addition to the benefits you will receive under CARE.

Members of the CNPP DB scheme (GPS section)

As noted above, those CNPP DB members who are not in the GPS section need to take into account benefits arising under the UKAEA CPS pension scheme when seeking to understand the full picture of their pension benefits.

As a member of the GPS section, all your scheme service will be in the CNPP GPS section, with no active deferred service in the UKAEA CPS scheme.

Key points to know

- The current final salary NDA pension schemes will transition to a Career Average Revalued Earnings (CARE) scheme on 1 April 2024.
- The move to CARE will be automatic and you don't need to take any action.
- Like final salary, CARE is a defined benefit pension.
- You will continue to accrue final salary benefits up to the date the CARE scheme goes live.
- There will be no change to the benefits built up in the final salary schemes and the calculation of those benefits will continue to be linked to final salaries after CARE goes live.
- There will be no change to existing normal pension ages.
- Under CARE, the annual accrual rate (the amount of pension you build up each year) will be 1/58th of your pensionable pay.
- You will be able to exchange pension for cash at retirement, up to a limit, at a rate of £12 of cash for every £1 of pension.
- Each annual slice of pension you build up under CARE is revalued in line with the Consumer Prices Index (CPI).
- Your contributions will increase, with most employees paying 7% or 9%. This increase will be introduced in 1% steps over 3 years and, where required, a fourth-year increase.
- The amount of contributions you will pay will depend on how much you earn.
- Once in payment, pension benefits accrued after 1 April 2024 increase in line with CPI.



