



United Kingdom Atomic Energy Authority Pension Schemes Reform of Public Service Pension Schemes

5 August 2011

To All Participating employers in the
Authority Pension Schemes

Consultation on additional employee contributions to the UK Atomic Energy Authority Pension Schemes

The United Kingdom Atomic Energy Authority Pension Schemes are public service pensions similar to the Principal Civil Service Pension Scheme (PCSPS) and the Teachers Pension Scheme. As a result of changes made to the public service schemes, member contribution rates are being increased with effect from 1 April 2012. The information below is being issued by the Authority to bring employers up to date following a meeting on 3 August with HM Treasury. Similar notices have been issued to members of other public service schemes.

Background

On 19 July, the Government provided details to Parliament on the progress of its talks with the Trades Union Congress about reforms to public service pension schemes.

The Government has restated its continuing commitment to providing 'defined benefit' public service pensions. Authority scheme members will continue to benefit from a guaranteed pension level that is based on service and pay, and the greater certainty this will provide as members plan for their retirement. The Authority pension schemes provision will remain amongst the very best available. In addition, the pension benefits that have already built up under the current schemes – the "accrued rights" – will be protected. **This means that the pension benefits earned before the date of the introduction of a new type of defined benefit scheme (expected to be April 2015) will be based on the current scheme rules with "final salary" Authority scheme benefits and a pension age of 60 (or 65 for some members)** for the years members will have already worked up to 2015.

The Independent Review of Public Service Pensions carried out by Lord Hutton recommended changes to the way in which future pension benefits are built up and paid out, to ensure that public service pension provision is financially sustainable and affordable in the longer term. The Government also believes that there is a need to make changes to the way in which costs are shared between scheme members and the taxpayer, following the rise in the cost of providing public service pensions and the need to make savings over the shorter term. **This will mean that the overall contributions made by scheme members will increase, starting from April next year.** The Authority will hold further separate discussions with trades union relating to increasing contribution rates in 2013-14 and 2014-15 and longer term reforms to public sector pension schemes.

Consultation on increases to contribution rates

The Government is committed to ensuring that changes take place only following consultation with representatives of scheme members. As a first step, the Authority will shortly be issuing a consultation document, which describes its preferred approach to increasing employee contributions, from April 2012, to the Authority Pension schemes. Any changes to take effect from April 2013 and beyond will be the subject of separate consultation. The consultation document will be sent to the the Employers and Trades Unions representing Authority scheme members.

The preferred approach to an increase in contributions from April 2012 will be on top of the contributions that scheme members currently make (depending on the scheme of 5% or 7.5%). The Government has proposed that the contribution increase should be 'progressive' – that is, those on lower salaries should face a smaller increase in contributions than those on higher salaries. The Authority's preferred approach for a tiered contribution structure will be set out in the consultation document. If adopted, this would result in those earning £15,000 or less seeing no change at all. For members earning between £15,000 and £21,000 the increase, from April 2012, in pension contributions of 0.6% of pay. For those earning more than £21,000, the contribution increase from April 2012 would be 1.3%. Contributions to the pension scheme benefit from tax relief so the net cost

to members is less.

Scheme members in all the other major public service pension schemes are being asked to contribute more towards their pensions.

Further information will be provided shortly.

Employer Contribution Rates

During the discussions with Treasury, they disclosed they did not anticipate work which had been suspended on the current valuations of public service pension schemes resuming in the near future and as a result it is unlikely that employer contribution rates would change for a year or so.

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