

Main Estimates memorandum (2019-20) for the UK Atomic Energy Authority Pension Schemes

1 Overview

1.1 Objectives

The Estimate covers the provision of pensions and lump sums to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UK Atomic Energy Authority (UKAEA) Pension Schemes. The Authority Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970 and are registered schemes under the Finance Act 2004. The Schemes are contracted out under the Pension Schemes Act 1993 and subsequent legislation. Under the terms of the Pensions Act 2014, the Schemes ceased to be contracted out from 31 March 2016.

The Authority's Public Service Pension Schemes comprise the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS) and the Protected Persons Superannuation Scheme (PPSS). They relate to the employees of the Authority and until 31 October 2009 UKAEA Ltd, Dounreay Site Restoration Limited (DSRL) and Research Sites Restoration Limited (RSRL). In addition the Schemes relate to former employees of British Nuclear Fuels plc (BNFL), employees of the National Nuclear Laboratory and International Nuclear Services Limited, the Civil Nuclear Police Authority (CNPA) and the Health Protection Agency (HPA) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board), together with some employees of the Engineering and Physical Sciences Research Council (EPSRC), the Science and Technology Facilities Council (STFC), former employees of the Council for the Central Laboratory of the Research Councils (CCLRC), the Particle Physics and Astronomy Research Council (PPARC) and the Science and Engineering Research Council (SERC), the RCUK Shared Services Centre Limited and former Authority employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).

The funding of payments from UKAEA's Pension Schemes is based on the published Parliamentary Supply Estimate and is supplied to the Department for Business, Energy and Industrial Strategy (BEIS) from the Consolidated Fund managed by HM Treasury.

It should be noted that any contributions made to the Schemes are used to meet the payment of Schemes' benefits, however any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by Parliamentary Supply with payment from the Consolidated Fund.

The Authority is a body corporate by virtue of the Atomic Energy Authority Act 1954.

1.2 Spending controls

The UKAEA Pension Schemes' budget is not subject to pre-set Departmental Expenditure Limit (DEL) control totals; it sits within a category of spending known as Resource Annually Managed Expenditure (AME). This is because net expenditure and cash payments are largely outside the control of the scheme administrators on a day to day basis, instead being affected by factors such as membership numbers; salary levels; mortality rates; the age profile of members, and annual pension increases.

- The **Resource AME** sought under the UKAEA Pension Schemes Estimate is essentially the amount by which liabilities under the pension scheme are estimated to increase during the year, less the contributions paid by employers and employees towards those liabilities.

In addition, the **net cash requirement** represents the estimated net cash required for the year to cover payments of pensions, after taking account of estimated contributions and transfer values paid in by employees and employers. A negative value means that more is forecast to be received than paid in year.

1.3 Comparison of net spending totals sought

The table below shows how the totals sought for the pension scheme at the Main Estimate compares with last year:

Net Spending total Amounts sought this year (Main Estimate 2019-20)		Compared to final budget last year (Supplementary Estimate 2018-19)		Compared to original budget last year (Main Estimate 2018-19)	
		£ m	%	£m	%
Resource AME	£276.9m	+£13.8m	+5.3%	+£16.6m	+6.4%
Net Cash Requirement	£229.5m	-£9.7m	-4.1%	-£4.8m	-2.1%

1.4 Key drivers of spending changes since last year

There have been no significant structural changes to the scheme during the past year. Expenditure will have changed as a result of pension increases and demographic scheme changes during the year.

Movement in resource estimates compared to the 2018-19 final budget

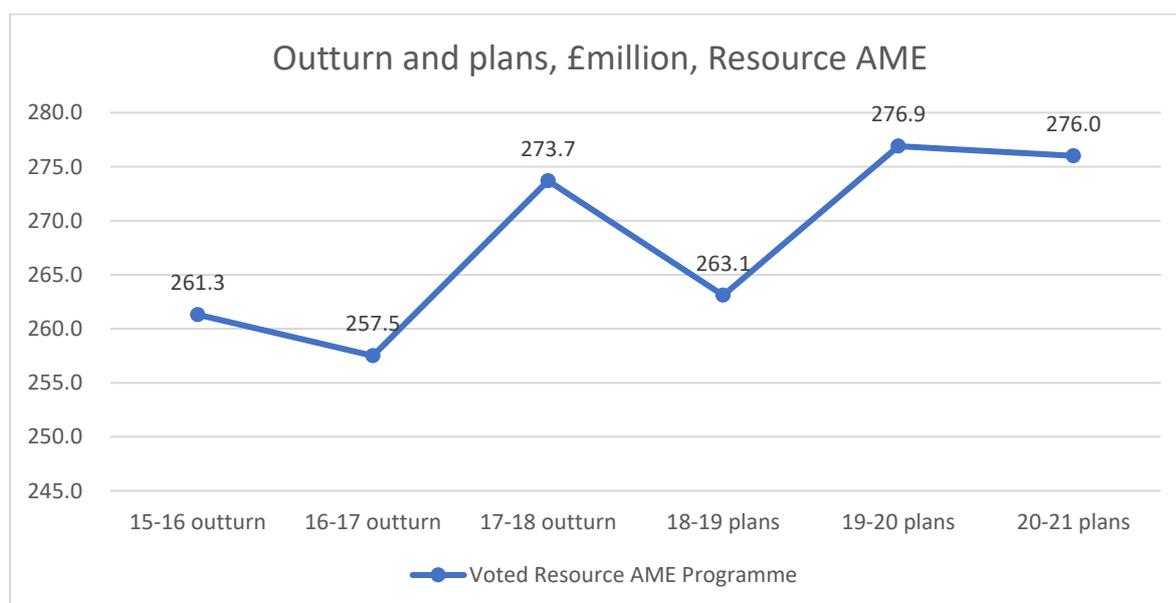
The provision sought under Resource AME is higher than last year, largely as a result of changes in scheme demographic and current interest charges.

Movement in net cash requirement compared to the 2018-19 final budget

Compared to the final budget last year, the cash requirement has decreased by 4.1%. This is largely due to additional budget in the 2018-19 Supplementary Estimate to cover movements in debtors/creditors.

1.5 Spending trends

The chart below shows the overall spending trends for the last three years, the plans presented in the Estimates for 2018-19, the current year plans for 2019-20 and future plans for 2020-21.



The Resource AME budget has increased from £263.1m to £276.9m in 2019-20.

The main driver behind the increase is the change in the nominal discount rate from 2.55% in 2018/19 to 2.90% in 2019/20 which has resulted in a higher interest cost. The cashflow estimates and current service cost estimates are broadly unchanged from the Supplementary Estimate.

1.6 Administration costs and efficiency plans

The administration costs are reimbursed by the participating employers on a per capita basis taking account of total scheme membership in each category of member, active, deferred and pensioner.

The administration fees in 2019/20 are expected to be £1.5 million (an increase of £350,000 on 2018/19). This is explained by two separate exercises – the clean-up of Guarantee Minimum Pension (GMP) records in comparison with HMRC records, a requirement of government, and the digitisation of microfiche records to maintain the veracity of the schemes' records.

2 Spending detail

2.1 Explanations of changes in spending

The tables below compare the current year budget (Main Estimate 2019-20) with the previous year budget (Supplementary Estimate 2018-19) for Expenditure, Income, Cash and Net Cash Requirement.

Subheads	Description	Detail	Resource AME				is change significant? (>£10m & 10%)
			<i>This year (2019-20 Main Estimate)</i>	<i>Last year (2018-19 Supplementary Estimate)</i>	change from last year		
			£ million			%	see explanation, note/para number
A	Expenditure						
		<i>current service costs</i>	77.1	77.9	-0.8	-1.0%	
		<i>enhancements</i>	0.4	0.4	0.0	0.0%	
		<i>liabilities due to transfers in</i>	1.4	2.0	-0.6	-28.4%	

		<i>interest on scheme liabilities</i>	237.4	222.7	14.7	6.6%	
		Expenditure sub total	316.3	303.0	13.3	4.4%	
A	Income	<i>employer contributions</i>	-25.9	-25.7	-0.2	1.0%	
		<i>employee contributions</i>	-11.0	-11.0	0.0	0.0%	
		<i>group transfers in</i>	-2.0	-2.8	0.8	-28.4%	
		<i>other income</i>	-0.4	-0.4	-0.0	0.0%	
		Income sub total¹	-39.3	-39.8	0.5	-1.3%	
A		Net AME resource²	276.9	263.1	13.8	5.3%	

Subheads	Description	Detail	Cash and Net Cash Requirement				is change significant? (>£10m & 10%)
			<i>This year (2019-20 Main Estimate)</i>	<i>Last year (2018-19 Supplementary Estimate)</i>	Change from last year		
			£ million			%	see explanation, note/para number
	Cash:	Payments in respect of provisions	268.8	269.0	-0.2	-0.1%	
		Income from contributions	-39.3	-39.8	0.5	-1.3%	
		Adjustments for movements in debtors/creditors (non-budget)	0.0	10.0	-10.0	100%	
		Net Cash Requirement	229.5	239.2	-9.7	-4.1%	

¹ Totals may not sum due to roundings

² Totals may not sum due to roundings

2.2 Changes to contingent liabilities

There are no contingent liabilities for the UKAEA Pension Schemes.

2.3 Estimated scheme liabilities

The last funding valuation was at 31 March 2012. Employer contribution rates have been set based on actuarial valuation calculations using data as at 31 March 2012. The amounts recognised in the pension schemes' financial statements for 2017-18 were prepared using full membership data as at 31 March 2016, such as would have been provided for a formal actuarial valuation and updating this to 31 March 2018 to reflect known changes.

The Government Actuary Department's report on the 2017-18 Accounts, based on the position as at 31 March 2018, confirmed that the Schemes' liabilities were £8,032 million on the accounting basis as at 31 March 2018. There were approximately 44,000 members of the scheme (active, active deferred, deferred and pensioners) in 2016.

3. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by Tom Taylor as Director of Finance and Portfolio and Chief Financial Officer, on behalf of Alex Chisholm, Head of Department and Accounting Officer of the Department for Business, Energy and Industrial Strategy, who is responsible for this Estimate.

Tom Taylor

Chief Financial Officer

Department for Business, Energy and Industrial Strategy

XX May 2019