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The Rt Hon Emma Reynolds MP
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(via email)

28 August 2026

Dear Torsten and Emma,

**Pension arrangements in the Nuclear Decommissioning Authority estate and access to public service pension schemes**

I am Prospect's Senior Deputy General Secretary with responsibility for our members in the Energy sector.

I am writing about issues affecting the pension arrangements for many thousands of Prospect members working across the Nuclear Decommissioning Authority (NDA) estate.

This includes employees of Sellafield Ltd, Nuclear Restoration Services (NRS), Nuclear Waste Services (NWS) and Nuclear Transport Solutions (NTS).

As the Ministers with responsibility for public sector pensions and public expenditure respectively, you are uniquely placed to resolve these issues.

Resolving these issues would have significant benefits for the delivery of the NDA's mission as well as the government's fiscal position.

Similar issues affect many more Prospect members in other organisations across a range of sectors and there would be significant benefits from addressing these too.

**Background to current pension arrangements across the NDA estate**

The following summary covers the general position for most workers across the NDA estate; the circumstances for some groups were slightly different, but not materially so.

Workers involved in the clean-up of the UK's legacy nuclear sites were previously mainly employees of the United Kingdom Atomic Energy Authority (UKAEA).

They were entitled to membership of an unfunded public service pension scheme, the UKAEA's Combined Pension Scheme (CPS), which provided similar benefits to the civil service pension scheme.

The Energy Act 2004 established the NDA and resulted in the contractorisation of nuclear decommissioning and the transfer of most workers to the private sector.

One consequence of this was that those working on decommissioning nuclear sites who transferred to the private sector were no longer eligible to remain in a public service pension scheme.

The Energy Act included pension protections for those who were members of the UKAEA's CPS (and equivalent schemes) at the date of transfer to the private sector.

These statutory protections required the NDA to establish a funded private sector defined benefit pension scheme that was no less favourable than the CPS.

There was no bulk transfer of past service from the CPS, past rights were protected through a status known as "active deferred" membership, which provided a final salary link.

The private sector defined benefit scheme was called the Civil Nuclear Pension Plan (CNPP). It started receiving contributions as workers transferred to the private sector.

A defined contribution section of the CNPP, designed to deliver equivalent benefits to the defined benefit structure, was established for new starters who joined after the transfer.

So, the pension impact of contractorisation was that future accrual of DB pensions for those transferring from the public sector was on a funded basis and new joiners were offered a DC scheme.

When these groups of workers were subsequently returned to the public sector, they were not given access to a public service pension scheme, and this caused the consequences that I am writing to you about now.

**Pre-funding pension liabilities for public sector workers**

One consequence of moving these workers from the private sector and back to the public sector but not returning them to a public service pension scheme, is that the government is effectively pre-funding billions of pension liabilities in respect of a group of public sector workers.

The Treasury's Balance Sheet Framework[1] states:

"In general, government does not pre-fund future liabilities. This is because there is an opportunity cost to holding assets in a fund for the purpose of meeting future liabilities and it creates allocative inefficiency at the whole public sector level. The funds could instead be put to alternative use with greater societal returns, and the liability or risk could be more efficiently managed in the round with other unfunded liabilities and met out of general taxation when they fall due."

It was on this basis that, for example, the then Chancellor announced in Budget 2025[2] that liabilities held by the Atomic Weapons pension scheme would no longer be prefunded:

"Additionally, the government has confirmed £2 billion further asset disposals at the Budget by ensuring its liabilities are funded in the most efficient way. In line with the principles set

[1] April_2026_Balance_Sheet_Framework_update.pdf
[2] Budget 2025 (HTML) - GOV.UK

out in the Balance Sheet Framework, liabilities held by the Atomic Weapons Establishment pension scheme and the Nuclear Liabilities Fund will no longer be pre-funded."

The principles of the Balance Sheet Framework should also be applied to the liabilities held by the CNPP.

This is not a marginal issue or just a theoretical question. At the last actuarial valuation of the CNPP (as at 31 March 2025) the scheme had about £2.5 billion of liabilities in respect of over 13,000 members (more than 5,000 still accruing benefits in the scheme).

Even more importantly, the more than £3 billion of assets in the scheme on that date, meant there was a funding surplus of over £700 million.

In response to these results, the NDA Board and the CNPP trustees agreed to use the £717 million surplus in the CNPP to de-risk.

However, the definition of "risk" underpinning this approach seems to be the risk that deficits emerge after future scheme valuations.

This might be a sensible definition of risk for the NDA, in the context of its desire for greater certainty about its future finances.

But decisions about the use of £3 billion of public assets should be made in the wider interests of taxpayers, and not primarily to help the NDA plan more reliably.

There is no obvious taxpayer interest in a public body lowering the target investment return on billions of pounds of assets in order to hedge interest rate and inflation risk (which was the effective outcome of the negotiations between the NDA and CNPP trustee on how to use the surplus).

The surplus is the direct consequence of another major public policy failure caused by the pre-funding of these liabilities.

The NDA had to use more than £100 million of public funding to make deficit recovery payments to the CNPP between 2021-22 and 2023-24 (inclusive).

This money obviously had to be diverted from funding the NDA's principal mission of cleaning up legacy nuclear sites. Today it does nothing more than form a part of the huge, unnecessary surplus in the CNPP.

This is neither what Treasury allocated the funding for nor a sensible use of taxpayers' money.

For the above reasons, the future accrual of defined benefit pensions on a funded basis across the NDA estate should be stopped and the assets backing the liabilities in the defined benefit sections of the CNPP should be disposed.

The active members of the defined benefit sections of the CNPP have a statutory right to membership of a broadly comparable scheme, so an unfunded scheme would have to be established under Section 31(7) of the Public Service Pensions Act[3] (or otherwise) to transfer them to.

**Two-tier workforce in respect of pension accrual**

As noted above, new joiners who started after work was transferred to the private sector have joined a defined contribution section of the CNPP.

[3] Public Service Pensions Act 2013

The structure of this DC scheme was negotiated by the NDA and the trade unions.

The original intention was for the employer contribution to the DC scheme to be equivalent to the cost of providing DB benefits (allowing for the cost of risk benefits and higher National Insurance contributions).

The relevant part of the Brighton Agreement[4] on pensions stated:

"The NDA has agreed that that the total cost to the employer [of the DC arrangements for new joiners] will be no less than the current CPS employer contribution rate of 15%."

Despite the original commitment to pay no less on behalf of DC members, a two-tier workforce in respect of pensions has since emerged in the NDA estate.

One issue is that a DC scheme is far less efficient at delivering retirement benefits than an unfunded DB scheme, so a commitment to contribute no less was not a commitment that outcomes would be as good.

Another issue is that it became more expensive to deliver pension benefits in the years following this agreement. The nature of DB provision meant that employers met the extra cost for members of that scheme whereas DC members bore it themselves.

The Brighton Agreement anticipated these issues:

"Looking further ahead, the employer's contribution rate could be increased in future, if required, and will be subject to review by the CNPP Trustees and the NDA. The proposed Pension Consultation Committee will provide a mechanism to consult with the Unions on whether any future changes may be justified eg if a change was desirable for recruitment and retention purposes."

Since then, there have been several justifications for increasing the employer contribution rate to the DC scheme. These included allowing for the same factors that drove a significant increase in the employer contribution rate to the DB scheme and also removing the specific allowance for contracting out when that was abolished in April 2016.

Unfortunately, the NDA, in Prospect's view, reneged on this part of the agreement. NDA officials made it clear that changes in circumstances since 2006 could not, in themselves, justify increases to the employer contribution rate in the DC scheme. They repeated the (apparent) Treasury view that increases could only be justified if they "paid for themselves".

This has had serious consequences:

- Not being able to offer pension provision that matches that available from other employers (including the NDA itself) has implications for recruitment.
- The two-tier provision could potentially be challenged on the basis of unjustified indirect discrimination on the grounds of protected characteristics (such as gender).
- Most importantly, new joiners are growing increasingly unhappy at the unfairness involved and there is a growing risk of industrial discord across the NDA estate.

There is a potential solution that would address the NDA's unwillingness or inability to fund improvements to the DC scheme that would also make it easier to meet the government's fiscal targets: access to the Alpha pension scheme for civil servants.

**Access to the Alpha pension scheme**

All employees of these subsidiaries of the NDA (ie Sellafield Ltd, NRS, NWS and NTS) are public sector workers, including members of the DC scheme.

[4] Brighton Agreement (NDA Pensions)

It makes no more sense for government to pre-fund the pension liabilities of public sector workers in DC schemes than it does to do so for public sector workers in DB schemes.

The logic of the Treasury's Balance Sheet Framework applies equally to the thousands of nuclear decommissioning workers in the DC section of the CNPP.

There is an argument that pre-funding pension liabilities through a DC scheme is even more wasteful than a DB arrangement.

For these reasons, the DC members should be transferred to an unfunded DB scheme, with the Alpha scheme for civil servants the most obvious option.

This would address the consequences of the unfair, two-tier workforce in respect of pensions raised earlier.

A wider, fiscal benefit would be the impact on the government's ability to meet its fiscal targets.

In 2024-25 the NDA reported pension costs of £194 million in respect of its subsidiaries (covering DB and DC members)[5]

Instead of pre-funding the pensions of these public sector workers, the Treasury could recoup this £194 million (or equivalent amount for 2027-28 onwards) by offering membership on an unfunded public service pension scheme instead.

Indeed, the fiscal impact would be even greater as Treasury would also receive nearly £60 million in member contribution rates to the Alpha scheme (based on the average member contribution rate of 5.6%).

So, there would be a short-term fiscal impact of over £250 million per year from addressing the issue of pre-funding pension liabilities and the unfair, two-tier pension provision in the NDA estate.

The NDA's subsidiary companies would have higher pension costs due to the higher employer contribution rate to the Alpha scheme. The Treasury would have to refund these additional contributions so as not to impact the delivery of the NDA's mission.

**Wider application of this approach to accessing public service pension schemes**

There seems to have been a broad approach to restrict membership of public service pension schemes in recent years.

This is contrary to the Balance Sheet Framework and is counter-productive on a number of grounds, including in relation to the fiscal impact noted above.

I will raise two specific examples to illustrate this point further:

- The Atomic Weapons Establishment (AWE Ltd)

As with the NDA subsidiaries above, AWE employees lost access to a public service pension scheme when that company was privatised but did not regain access when it subsequently returned to the public sector (though they are subject to pay controls).

There is no two-tier workforce in relation to pensions at AWE Ltd because the funded, private sector pension scheme was closed to all future accrual (and taken onto the government's books as noted above).

[5] ARAC_2024-25_210725_final.pdf

There are, however, extremely strong feelings amongst the workforce about the way they have been treated in respect of pensions over the years.

At the time of the privatisation of AWE Ltd the then Parliamentary Under-Secretary of State for Defence Procurement (Kenneth Carlisle MP) told the House of Commons[6]:

"No one will be made to suffer detriment to their pension arrangements as a result of contractorisation. The pension rights will be written into the contract and thus guaranteed, so that everyone's pension will be at least as good as the pension that he can expect now."

The mechanism that delivered on the Government's promise was a contractual provision that pension costs would be "passed through" to the MOD.

Under these terms there was no financial risk for the AWE Ltd from sponsoring the AWE Pension Scheme, and no incentive for it to reduce benefits.

When the management contract was subsequently re-negotiated, this "pass-through" provision, which was necessary to honour the promises that had been given, was removed.

Instead of a "pass-through" provision, there was now a maximum pension allowance in the contract.

This new arrangement effectively required the contracted operators of AWE to attack employees' pension provision if costs ever rose about the allowance in the contract.

The change made the various promises to protect pensions conditional on the cost of those pensions staying below the level now allowed in the contract.

When discount rates subsequently fell, pushing up estimated liabilities and employer contribution rates, the contractors were forced to share these costs with members.

This resulted in AWE employees being forced to accept a cost-sharing agreement that led to higher contributions, lower benefits and, ultimately, scheme closure.

There is significant industrial unrest amongst the workforce at AWE Ltd because of the above issues (as due to other, related aggravating factors).

These issues could be resolved by giving access to the Alpha pension scheme to employees of AWE Ltd.

The 2024-25 accounts for AWE Ltd[7] showed that £54 million of employer contributions were made to a DC scheme. An equivalent amount could be recouped from 2027-28 onwards if these members were given access to Alpha. There would also be member contributions equivalent to £24 million in 2024-25 terms.

As with the NDA subsidiaries, any additional employer cost arising from access to Alpha would have to be refunded to protect delivery of the company's mission.

So, giving AWE Ltd employees access to the Alpha scheme would resolve significant industrial issues and provide more than £78 million a year extra headroom against the government's fiscal targets.

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[6] ARRANGEMENTS FOR THE CARRYING ON OF CERTAIN ACTIVITIES (Hansard, 24 April 1991)

[7] AWE Nuclear Security Technologies AWE PLC Annual Report and Accounts 31 March 2025

- Great British Energy - Nuclear

Great British Energy – Nuclear was recently established to deliver, enable and advise on new nuclear energy projects.

It is an arms-length body of the Department for Energy Security and Net Zero (DESNZ) and its employees are obviously public sector workers.

Despite this, it pre-funds pension liabilities through a DC scheme with an employer contribution rate of up to 14%.

This is contrary to the Balance Sheet Framework and results in increased pension costs over the fiscal forecast period.

While the number of employees in Great British Energy – Nuclear is relatively small, so the fiscal impact will probably only be in the low single digit millions of pounds, this is symbolic of the approach taken across a large number of organisations and, cumulatively, the fiscal impact across all of these will be much more significant.

Great British Energy – Nuclear employees are also asking why they are subject to civil service pay controls but not able to access civil service pension benefits. Access to the Alpha scheme for civil servants could address emerging industrial issues here, and in many other similar organisations.

**Summary**

I have raised a number of detailed and complicated issues in this letter. I would appreciate the opportunity to meet to discuss these further and provide more context.

These are not merely technical pension issues and theoretical points about the impact on fiscal rules. These are fundamental issues for tens of thousands of Prospect members and others across the NDA estate (and in AWE Ltd and Great British Energy – Nuclear and elsewhere).

MPs who represent areas with a high concentration of employees of these companies will inevitably hear from constituents about this, it would be useful to discuss this issue with them as well.

I will be sharing this letter with our members, given the importance of the issues I have raised to them.

Yours sincerely,

Sue Ferns

**Sue Ferns**

Senior Deputy General Secretary