

Pensions News

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September
2020



Chairman's Message



In this unusual year, having decided to cancel the normal Annual General Meeting (AGM), the Trustees wanted to update our members on the Scheme now, rather than waiting until Christmas.

Covid-19 has affected many members and their families. All the Trustees and Scheme staff extend our heartfelt sympathy to those who have been

bereaved or suffered ill health due to the pandemic. These are difficult times and we wish you all well in managing through this period.

Scheme and administration staff have worked very hard to support you. The Trustees are pleased that the organisation was resilient and able to switch quickly into working from home safely and securely. We have focused our efforts on making payments (for Scheme members retiring and widow(ers)) as swiftly as possible and prioritising support for members in particular hardship. We believe we have been able to maintain a high standard of service overall, but acknowledge there may have been some delays. I apologise for any distress this has caused.

Covid-19 has also had an impact on some aspects of the Scheme, including this year's Pensioner Representative election and AGM. There are more details about this later in the newsletter.

The Scheme's Report and Accounts as at 31 March 2020 are now available. We include a summary in this newsletter, together with other information, and explain that there is still an opportunity to question Trustees about the Scheme.

You will see that the value of the Scheme's assets was adversely affected by the pandemic, following several years of strong performance. However, good investment management limited this impact, and the Scheme remains healthy. We are confident that your pensions remain secure.

Dame Kate Barker (BCSSS Chairman)

Summary of the Scheme's Report and Accounts to 31 March 2020

The Covid-19 pandemic had an adverse impact on the year-end asset valuations and posed significant challenges to the Trustees across all aspects of the Scheme's business, in particular volatile investment markets and challenges of operating the Scheme remotely, due to offices being shut and travel being severely restricted. Sadly, during the spring we also had to respond to a higher than expected number of deaths among our members. Although none of us could have predicted the nature of the challenges we faced, the plans we had in place for an adverse market event (such as this) have worked well. As a result, we have been able to manage the Scheme effectively throughout this difficult period and continue to do so.

Key Statistics as at 31 March 2020

Total number of pensioner members	46,636
Total number of deferred members	2,200
Total benefits paid and transfers out	£603m
Net decrease in the Fund during the year	£621m
Net assets of the Scheme at the year-end	£8,760m

Five Year Summary of the Fund Account

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Benefits and payments out of the Scheme					
Benefits and transfers out of Scheme	(648)	(638)	(624)	(614)	(603)
Payments to the Guarantor	(500)	-	-	-	-
Administrative expenses	(4)	(6)	(5)	(3)	(3)
Net withdrawals from the Scheme	(1,152)	(644)	(629)	(617)	(606)
Returns on investments					
Investment income	172	235	251	286	278
Change in market value of investments	92	1,152	421	378	(262)
Investment management expenses	(36)	(34)	(32)	(33)	(31)
Net returns on investments	228	1,353	640	631	(15)
Net increase/ (decrease) in the Fund during the year	(924)	709	11	14	(621)
Net assets of the Scheme at the year-end	8,647	9,356	9,367	9,381	8,760

Funding and Investment

The Trustee's primary funding aim is to ensure that all future benefits can be paid to members as they fall due, without needing funding from the Guarantor. In order to achieve this goal, and also to pay the Adjusted Reserve to the Guarantor in 2033, a high level of return on the Scheme's assets is required over the future. This means that we need to invest in assets that seek a significantly higher return than can be achieved with 'low risk' assets. The Scheme is mature, meaning that the annual benefit payments of about £600 million are more than the income that can be made by the assets alone. So, we also need to sell assets to pay the pensions. In developing our funding strategy, we therefore need to think about both achieving the return target and investing in assets that will generate cash.

The economic and market impacts of the Covid-19 pandemic have been significant and have affected the Scheme's assets and the Trustee's investment strategy. The immediate challenges following the pandemic were around cash-flows, which are high due to the Scheme's maturity.

Asset prices across the world fell markedly during March 2020. At the same time, currencies became volatile and income on some assets was not received (e.g. in UK property, where some of our tenants didn't pay any rent during the lockdown, supported by the Government). The Trustees already had a plan to deal with such a situation - holding around £1.25 billion in low risk liquid assets. These assets are available to meet benefit payments and other cash needs during periods of market volatility. The Trustees also entered into an options strategy during 2019 to provide further protection of liquidity levels in periods of market turbulence.

To date we have, therefore, been able to get through the immediate challenges without the need to sell any equities or other growth assets, during the period when we considered that the sale prices of those assets were too low. We have also kept the target level of liquid assets as protection for future market falls.

An important part of the Trustee’s investment focus relates to environmental, social and governance (ESG) considerations, recognising that these factors can have a significant impact on long-term returns and risks. Our clear objective is to achieve the required high rate of prospective returns for any given level of risk. However, ESG factors, such as climate change, can impact investment outcomes so we ensure that they are considered in all investment decisions. These factors are likely to become even more important in future.



Environmental

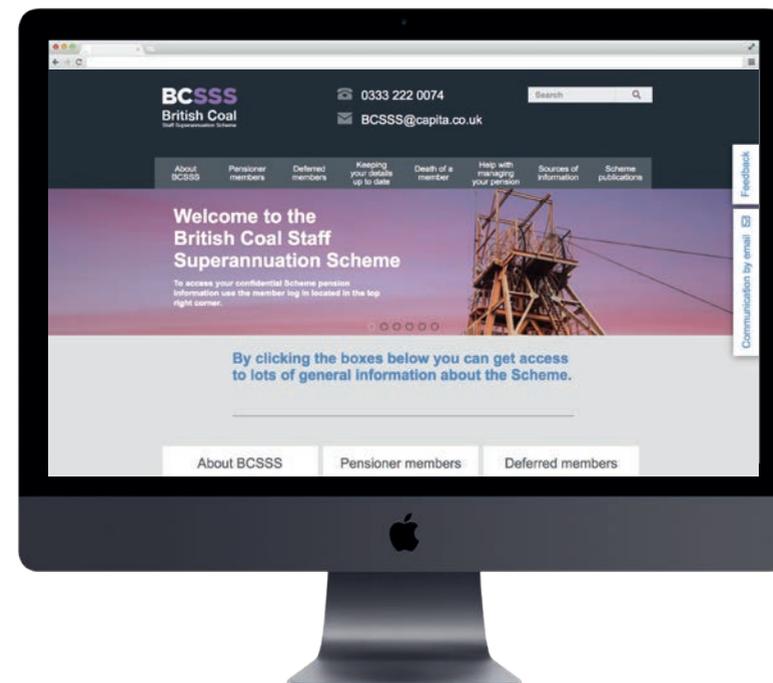


Social



Governance

The full Report and Accounts can be found on the Scheme Publications section of the Scheme’s website: www.bcsss-pension.org.uk/scheme-publications or can be posted to you, on request to the Scheme Secretary (see Contact Us section).



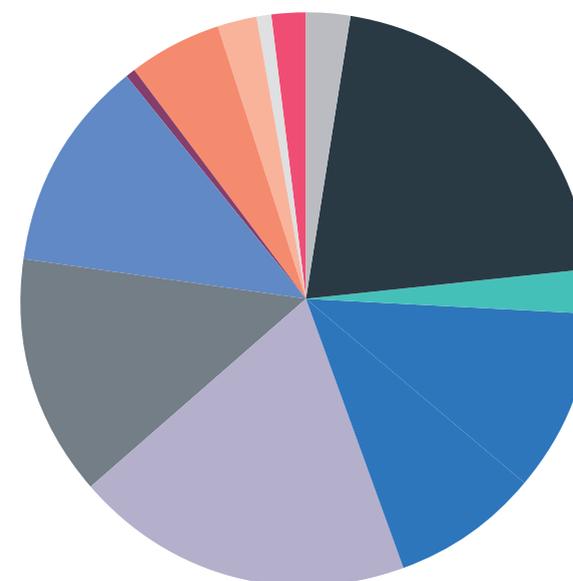
We are very keen for members to make use of the information on, and contact us by, the Scheme’s website, which we think you’ll find easy to use.

Scheme Assets

The actual investment assets held at market value at 31 March 2020 are shown here.

■ Cash	£238m
■ Fixed Income	£1,830m
Global Government bonds, investment grade securities	
■ Global Multi-Asset Credit	£204m
Range of credit strategies (i.e. high yield bank loans) & emerging market debt	
■ Private Debt	£911m
Secured loans to private companies	
■ Special Situations Debt	£725m
Providing capital to debt and credit markets	
■ Public Equity	£1,681m
Stocks / shares in companies listed on public markets	
■ Private Equity	£1,197m
Equity / security in privately owned companies	
■ Property	£1,059m
UK commercial real estate, student & private rental accommodation	
■ Global Infrastructure	£43m
Renewable energy, social infrastructure, regulated utilities	
■ UK Infrastructure	£452m
Renewable energy, social infrastructure, regulated utilities	

■ Global Macro	£190m
Multi-strategy investments including derivatives	
■ Other (new) Opportunities	£84m
■ Shipping	£158m
Tankers, container ships, bulk carriers	
Residual cash, assets and liabilities	(£12m)
Net Assets as at 31 March 2020	£8,760m



See previous page and above for the key.

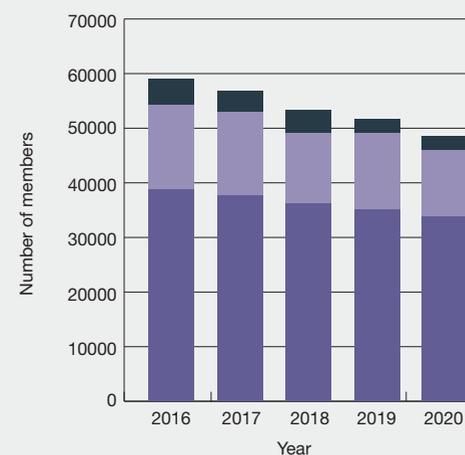
We don't know how long we will have to live with Covid-19, and the longer-term impact on the global economy is also uncertain. However, the Trustees remain vigilant and will seek to manage the portfolio carefully through these difficult times. We are lucky to have a strong internal team and many high quality investment managers to support us.

Benefits Administration and Member Communications

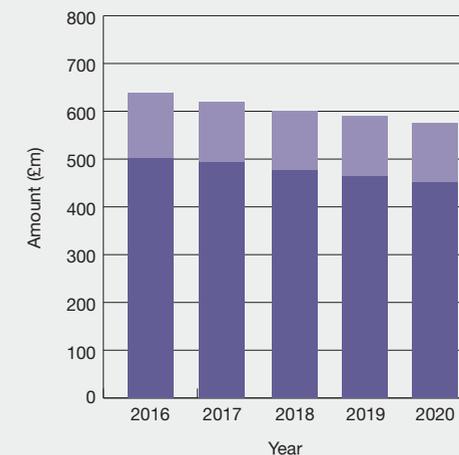
The benefits administration provided to members over the past year continued to operate successfully in line with required performance targets, despite the restrictions / problems resulting from Covid-19.

The situation is closely monitored and managed by the executive team and regular meetings continue to be held with the benefits administrator (currently using modern technology due to home working restrictions). The Trustees are also closely overseeing administration performance to ensure that our members continue to receive the service that we expect to be delivered. We are very pleased with how the administrators and the executive have responded to Covid-19 and how they have maintained a high standard of service to our members, whilst also managing an increased workload.

Membership



Pensions in payment



■ Retired pensioners ■ Widow(er)s/Dependants ■ Deferred pensioners

As at 31 March 2020, the Scheme membership was 48,836. This comprised 2,200 deferred members and 46,636 pensioners (made up of 33,638 retired members and 12,998 widow(ers) and dependants).

Actuarial Valuation

There will be a full Actuarial Valuation of the Scheme at 31 March 2021, and we will report more fully on the financial health at that time.

The Government Guarantee remains in place and protects the financial security of pensions.

2020 Annual General Meeting (AGM) cancelled

After very careful consideration it was decided to cancel the 2020 AGM due to the Covid-19 virus and the potential risks involved in bringing people together in an indoor meeting.

For Scheme members, the main purpose of attending the AGM is to receive the Scheme's Annual Report & Accounts and an update from the Chairman on the issues dealt with by the Trustees over the previous year. Members are also able to ask questions about the Report & Accounts or any other aspect of the Scheme. We are very keen to ensure you still have access to this information and are able to ask questions.

Therefore, we have included a summary of the Report & Accounts in this newsletter. The usual speeches and slides that would have been presented at the 2020 AGM by the Chairman, the Investment Sub-committee Chairman and the Scheme Secretary can be found on the publications section of the Scheme website and are available on request to the Scheme Secretary.

If you have any questions about the running of the Scheme or the Report & Accounts, please send them to the Scheme Secretary by 30 November 2020. The questions, together with the Trustees' responses, will be posted on the Scheme's website and included in the next edition of Pensions News, which will be sent in January.

Details of the 2021 AGM, which will be held in Nottingham on 30 September 2021, will be included in the next edition of Pensions News.

2020 Pensioner Representative Election postponed

The 2020 election in the North West England, West Midlands, South Wales and Northern Ireland constituency was postponed due to the Covid-19 pandemic. Given the social distancing and shielding requirements and the need to gain five nominations to stand for election, it was thought safer to delay until 2021 and run it at the same time as the election for the Scotland and North East England constituency.

Bleddyn Hancock will, therefore, remain in the post for a further year (until 30 September 2021); the successful candidate in this constituency in 2021 will serve for a three-year term.

Further details of the elections that will be held in 2021 will be included in the next edition of Pensions News.

RPI consultation

The Government has published a consultation on possible changes as to how the Retail Price Index (RPI) could be calculated, potentially from 2025.

The Scheme has formally responded to the consultation, setting out our view that there should not be a change if it were to have a negative impact on members' benefits. We will keep you informed via the Scheme's website and Pensions News when the outcome of this consultation is known.

Notice Board

Have we got your correct details?

It is important that we know how to contact you. Remember to notify the administration office if you move house or your personal circumstances change. Did you know that we also send communications by email? If we don't have your email address or you have recently changed your email address and you would like to receive communications by email, please let us know.

CISWO

During this difficult period, CISWO is continuing to provide a personal welfare service, most of which can be delivered remotely by telephone, email and post. For more information about their free and confidential service call 01709 728115 or visit their website www.ciswo.org.uk

Free Wills Month

We included an article about Free Wills Month in our last edition of Pensions News – the service offers individuals aged 55 and over the opportunity to have a simple will written or updated free of charge. The next Free Wills Month starts on 1 October 2020.

If you would like to take part visit <https://freewillsmoth.org.uk> (Please note, this is not being run by the Scheme. It is also an online campaign only; no telephone number is available).

Audio Pensions News

Pensions News is available in audio format. You can either download the MP3 on the Pensions News publications section of the Scheme's website or request a CD from the Scheme Secretary.

Contact Us

BCSSS website

For information about the Scheme, including Scheme publications, visit the Scheme's website www.bcsss-pension.org.uk

Remember if you have registered for the secure member website you can see your Scheme record at <https://bcsss.orbitbenefits.com/idm-ui/login>

You are also able to use this link to update your address and bank details (the latter only if you are a pensioner) and update your Expression of Wish nomination form.

For information about your pension please contact the administration office:

Post:

BCSSS
PO Box 555, Stead House
Darlington, DL1 9YT

Telephone:

0333 222 0074

Email:

bcsss@capita.co.uk

Please be ready to provide information to confirm your identity, for example your National Insurance Number and date of birth.

For information about Trustee policies or service enquiries:

Post:

BCSSS Scheme Secretary
Coal Pension Trustees Services Limited
Ventana House, 2 Concourse Way,
Sheaf Street, Sheffield, S1 2BJ

Telephone: 0114 253 6444

Email: bcsss.enquiries@coal-pension.org.uk

Contact Us

For tax enquiries:

Post:

HM Revenue & Customs
Pay As You Earn
PO Box 1970
Liverpool
L75 1WX

Telephone:

0300 200 3300

Please quote reference 428/NCBP

For tax advice:

Tax Help for Older People

Telephone: 0333 207 5659

(dedicated telephone number for BCSSS members only)



BCSSS

British Coal

Staff Superannuation Scheme

www.bcsss-pension.org.uk