# BRITISH COAL STAFF SUPERANNUATION SCHEME

Minutes of the Sixty-Eighth Annual General Meeting of Members held in the Balmoral Hotel, 1 Princes Street, Edinburgh, EH2 2EQ, at 2.00pm on Thursday 8th October 2015

**Present**
Dame K Barker (Chairman)
Mr RA Barfield
Mr DA Clark
Mr BW Hancock
Mr S Jukes
Mr R Proctor
Mr WJ Sheldon
Mr AK Whalley

**In Attendance**
Mr G Mellor – Chief Executive, Coal Pension Trustees Services Ltd
Mr J Heathfield – Scheme Secretary, Coal Pension Trustees Services Ltd
Mr G Lane - Coal Pension Trustees Services Ltd
Mrs H Willcox - Coal Pension Trustees Services Ltd
Mrs L Morris - Coal Pension Trustees Services Ltd
Mrs M Marsden - Aon Hewitt
Mr D Tebbett - Aon Hewitt
Mr I McAlpine – Coal Industry Social Welfare Organisation
Ms B Christie - Coal Industry Social Welfare Organisation
Ms M Bracken - Coal Industry Social Welfare Organisation

There were 40 members of the Scheme present.

**AGM PRESENTATION**

1. Dame Kate welcomed those present to the 68th Annual General Meeting of the Scheme. A presentation was made to the Annual General Meeting, a transcript of which is attached at Appendix A to these Minutes.

**QUESTIONS SUBMITTED IN ADVANCE**

2. Questions and Answers submitted from members in advance are attached at Appendix B.

**OPEN FORUM**

3. A transcript of the oral questions and answers is attached at Appendix C to these Minutes.

Signed …………………………………… (Chairman) Date ………………………

**APPENDIX A**

## AGM PRESENTATION

1. Good afternoon, everyone. Welcome to the 68th Annual General Meeting of Scheme members.

2. My name is Kate Barker and I am the Chairman of the Committee of Management of BCSSS.

3. This is my first Annual General Meeting as a member of the Committee of Management as my appointment was from 21st September 2014, although I did attend the AGM in Derby last year as an observer.

4. The AGM provides you, our members, with the opportunity to hear presentations on the financial position of the Scheme and on some of the key issues we face. After the presentations, you will have an opportunity to ask questions.

5. We also consider any resolutions put to the Committee of Management – we have not received any resolutions; there has been one question in advance which will be answered at the end of the presentations.

6. As some of you will know, each year the AGM is held in a different venue within the UK, to give as many members as possible the opportunity to attend a meeting in their locality. This year we are pleased that the AGM is in Edinburgh again, our first visit since 2009.

7. I'd like to start by telling you a bit about myself – I describe myself as a business economist and am currently a non-executive director of Taylor Wimpey Plc, Electra Private Equity Plc and Yorkshire Building Society. However I also have a history of working on public policy – setting interest rates as a long-serving member of the Bank of England's Monetary Policy Committee, and producing reviews on housing and planning policy for the Labour Government.

8. I was attracted to the position of your Chairman partly because I started my life working for a public sector pension fund and have remained keenly interested in the issues that raises – and partly because coming from Stoke-on-Trent I grew up in a mining area.

9. It is a privilege to have been appointed, and to get to know my fellow Trustees and the team at Coal Pension Trustees (the Scheme's Executive), all of whom are very committed to BCSSS.

10. Let me introduce the rest of the Committee of Management of your Scheme (often referred to as the Trustees) and explain to you a little bit about what we do.

11. Sitting with me is Dick Barfield. Dick was appointed by the Committee of Management six years ago and is the Chairman of the Scheme's Investment Sub-committee.

12. The other members of the Committee are sitting in the front row. I'll start with the Pensioner Representative members – could you please stand up and make yourself known to the meeting when I introduce you:

13. Allen Clark. Allen is the Pensioner Representative for the Scotland and North East England constituency and has been a member of the Committee of Management for 12 years.

14. Bleddyn Hancock. Bleddyn is the Pensioner Representative for the North West England, West Midlands, Wales and Northern Ireland constituency as is the longest standing Pensioner Representative member, being on the Committee of Management for 20 years.

15. Stuart Jukes. Stuart is the Pensioner Representative for the Yorkshire and North Lincolnshire constituency and has been a member of the Committee of Management for 19 years. I'd like to congratulate Stuart, who has just been re-elected for a further four-year term from 1 October.

16. John Sheldon. John is the Pensioner Representative for the East Midlands, Southern England and Overseas constituency and is our newest elected Trustee, joining the Committee of Management after the AGM on 1 October last year.

17. The other appointed members are:

18. Alan Whalley. Alan was appointed by the Committee of Management from 1 May this year and is the Chairman of the Administration and Benefits Sub-committee. He has a very strong background in the pension industry, with Towers Watson and as Chief Executive of Mercer in the UK. I am delighted to have added Alan to the trustee bench.

19. Ray Proctor. Ray is the Chairman of both the Scheme's Risk and Assurance Sub-committee and Discretions and Appeals Sub-committee. Ray has been a member of the Committee of Management for 13 years.

20. So, as you can see, the Committee of Management is made up of individuals with varying lengths of Scheme experience. I think we've a good balance between retention of knowledge and the challenge of new ideas and ways of working.

21. The Committee of Management works as a team and our collective focus is on paying you the benefits you are due under the Scheme Rules and providing the best service for you, our members. Our duties and powers are set out under the Scheme Rules and Trust law – we must abide by these Rules and are not allowed to act outside of them.

22. As you may be aware, the Committee of Management has delegated some of its powers to four Sub-committees. Each of these Sub-committee comprises two appointed and two Pensioner Representative Trustee members and each Sub-committee is Chaired by an appointed Trustee (a requirement under the Scheme's Memorandum and Articles of Association). The Committee of Management meets on a quarterly basis, or more often if required. As well as receiving reports from the various Sub-committees, the Committee of Management sets the strategic objectives and risk constraints, and monitors progress towards these.

23. I have had now been able to participate in and assess the effectiveness of the Committee of Management and the framework under which it operates for over a year. I have been particularly impressed with the diligence and quality of the work of my fellow Trustees; the focus is on members at all times.

24. I would also like to highlight the commitment each member of the Committee of Management has shown in looking after the interests of the members. Over the year to March 2015, we had 29 Committee of Management and Sub-committee meetings, together with another 17 working group meetings. Papers for each meeting are issued in advance and have to be read and understood. The amount of preparation required for each meeting should not be

underestimated. In addition to preparing for and attending meetings, each Trustee has continued to improve their knowledge and understanding, through attendance at external courses and seminars, and through formal and informal training. In addition, at least one Trustee attended each of the nine information sessions held in March to provide information to members about the changes to the Scheme (I'll recap on these in a minute). I am grateful for the dedication of each of the Trustees and for their support.

25. Joining Dick and myself at the front from the staff of Coal Pension Trustees is Geoff Mellor, the Chief Executive, and Jon Heathfield, the Scheme's Secretary.

26. Coal Pension Trustees employs 35 staff, who provide Executive Management, secretarial, actuarial, benefits management, finance and accounting, investment and risk management services. They support not only the BCSSS but also the Mineworkers' Pension Scheme.

27. The programme for this afternoon's meeting is shown on the slide. I shall begin by giving a reminder of the recent changes made to the Scheme's structure and benefits and what these changes mean for the future provision of benefits. I shall then hand over to Geoff Mellor, who will explain some of the key financial information.

28. Dick Barfield will then give you an update on the Scheme's investment strategy and performance.

29. We have received one written questions in advance, as I mentioned, and Jon Heathfield will respond formally to it on the Committee's behalf.

30. I shall then invite questions from the floor, which we will endeavour to answer, before I draw the formal proceedings to a close.

31. There will be time at the end of the meeting for further refreshments – and I hope you will take the opportunity to chat with any of the Trustees and Scheme Officials before you head home today. Representatives from the Scheme Administrators (Aon Hewitt) and the Coal Industry Social Welfare Organisation (CISWO) are also with us this afternoon, so if you have not had the chance yet to visit their stands, you may wish to do so at the end of the formal proceedings.

32. This year we've announced perhaps the most fundamental change to the Scheme's structure since 1994 and I wanted to share our rationale behind making this change.

33. Following the 2012 Actuarial Valuation, it became clear that the poor funding position of the Scheme meant that it was unlikely that we could award any meaningful increases to members' pensions for a long period of time. The impact would have been that members' pensions would not have kept up with increases in the cost of living and may well have remained unchanged for a number of years. Furthermore, the Guarantor was concerned about potentially high and unpredictable contributions into the Scheme in future. I'm aware that my predecessor, Philip Read, has spoken about the funding challenges at previous AGMs and we summarised this in a number of editions of Pensions News over the last few years.

34. These slides run remind you of the downbeat commentary in successive issues of Pensions News. So, we entered into a review with the Guarantor, as both parties felt that some aspects of the previous structure were not sustainable. A number of potential changes to the Scheme were discussed and considerable analysis undertaken to ensure that any changes would meet

the objectives of the Trustees and the Guarantor. Before agreeing to the changes, the Trustees satisfied themselves that they were in the interest of all categories of member.

35. I'll run through the changes, which can be seen on the slide, starting with increases to pensions. Under the new arrangements you will now have more certainty about the pension increases that you will receive from the Scheme. Your Guaranteed Pensions will continue to be increased annually in line with the percentage rise in the Retail Prices Index (RPI) and all bonuses awarded before 2013 will continue to reduce by the equivalent amount until 2019.

36. New bonuses of 2% of Guaranteed Pensions will be awarded in 2017, '18 and '19. There will be no future bonuses after 2019. But from 2020, all of your bonuses will remain level.

37. So, to put it simply, from 2020, your Guaranteed Pension will increase in line with RPI each year and your bonuses will remain level.

38. The surplus sharing arrangements no longer apply. Instead you will receive the fixed benefits I have just mentioned. The Trustees thought long and hard about giving up surplus sharing. We concluded that, as a result of the poor funding position of the Scheme, the likelihood of future surpluses and hence the outlook for future bonuses was very poor. We were therefore delighted to receive a deal which provided certain increases that far exceeded the likely increases under surplus sharing.

39. At the time the changes were made to the Scheme, the Guarantor had a financial interest in the Scheme of about £2.2 billion – this was known as the Investment Reserve and was British Coal's share of pre-privatisation surpluses increased by investment returns. The Investment Reserve was due to be repaid in full to the Guarantor by 2019. Under the new arrangements a part payment of the Investment Reserve of £500 million has been paid to the Guarantor, but the remaining £1.7 billion does not now have to be repaid until 2033. The continued existence of the Investment Reserve for the next 18 years provides a buffer to absorb fluctuations in the Scheme's funding level.

40. Most importantly, the Government Guarantee stays in place so members have not lost any security over their benefits - the Guarantor is still required to ensure that sufficient money remains in the Scheme in order to pay all future pensions (including the RPI-linked increases).

41. The Committee of Management is very pleased with the changes that we have been able to secure for members – providing annual increases that exceed those that were likely under the previous structure, and known future benefits without losing any security.

42. Following the changes to the Scheme our focus has been to ensure that the investment strategy remains appropriate for the different structure. The Trustees' obligations are to pay all benefits as they fall due and repay the Investment Reserve in full in 2033.

43. We have to take the maturity of the Scheme into consideration when making investment decisions. In the last Scheme year the BCSSS paid out £659 million in benefits and the only income that the Scheme receives is from its investments. Geoff will talk a little more about the challenges of running such a mature Scheme and then Dick will talk a bit more about the investment strategy in a few minutes.

44. I would now like to hand over to Geoff, who will discuss the financial position of the Scheme in a little more detail. Geoff.

**Geoff Mellor**

45. Thank you Kate and good afternoon everyone.

46. For those that have attended previous AGMs, you will know that I normally start by reviewing the Report & Accounts. I still intend to do that, but I'd like to start today by summarising an aspect of the Scheme Kate referred to, namely maturity. I've set out some statistics and future projections on the slide.

47. As you can see, the average age of members is currently about 74 and 92% of our members are in receipt of pensions. Annual pension payments are about £659 million, or nearly 7% of total assets. Over the next 20 years, the membership is expected to halve and the pension payments will fall, but not by as much. The annual payments are expected to be about 11% of the assets and that's assuming the assets have earned the return required over those 20 years.

48. This is what we mean by a mature Scheme. The payments out are already a big part of the assets and they will get increasingly bigger over time.

49. Now let's look at some of the numbers in the Scheme's accounts. You should all have received a copy of the Scheme's Report and Accounts with your AGM ticket. The slide is a summary of the Fund Account and Net Assets Statement that appear at pages 15 and 16 of the Report and Accounts.

50. Payments from the Scheme amounted to £703 million, or just over 7% of the value of the Fund. The pensions paid to members and dependants, at £659 million, accounted for almost 94% of this expenditure. Payments to the Guarantor, representing instalments of their share of past surpluses, amounted to £37 million, or 5.2% of expenditure, with the administration costs making up the remainder.

51. Let's just look at the Guarantor payments in a bit more detail, I'll return to the Scheme accounts in a moment. As part of the Scheme changes announced earlier this year, there were also some changes to the amounts payable to the Guarantor in future. No more payments will be made from the Guarantor's Fund as a result of surplus sharing. The Guarantor will still be entitled to receive the Investment Reserve. As at 31 March 2015, this stood at £2.2 billion. £500 million was paid to the Guarantor on 2 April 2015, so this will be included in next year's accounts. The remaining £1.7 billion is now due to be repaid in 2033, rather than 2019. The Investment Reserve will increase in line with CPI between now and 2033, and no longer in line with Scheme investment returns.

52. Turning back to the accounts - the net return on the Scheme's investments over the year was £1.301 billion, made up of investment income (less investment management expenses) of £118 million and capital appreciation of £1.183 billion.

53. The net effect of these movements is an increase in the overall Fund value of £598 million, giving a total value of the Scheme's assets of £9.571 billion.

54. Just to bring these figures a little more up to date for you, we estimate that the Fund value has decreased from 31 March to 30 September 2015 to around £8.421 billion; due to the £500 million payment to the Guarantor, benefit payments of £325 million and falls in global stock markets since March.

55. At previous AGMs, a number of questions have been raised about some of the numbers in the accounts, particularly the expenses. The figures in the report and accounts are prepared in line with prescribed accounting standards, are rounded to the nearest million and, as a consequence, do not always provide easily explainable information to members. I thought it would therefore be helpful to consider the numbers in a slightly different format in the way that we present them to the Trustees on a quarterly basis for our internal reporting. This slide shows the same end year market values as the accounts, but we have set out the revenues and costs slightly differently and shown the unrounded numbers. I've split the costs into three areas: investment, administration and 'other'.

56. Let's look at investment management expenses first, as these are by far the largest of the Scheme costs. The figure shown in the accounts for investment management expenses is £25 million. This somewhat understates the true level of costs charged by external investment managers, which we estimate to be £50.6 million. The £25 million reported in the accounts reflects just those costs which have been invoiced separately by the investment managers. Some of our investment managers deduct their fees directly from the investment, rather than invoicing us. This way of charging is common practice – it's similar to the way a fund manager would charge for an ISA or similar product. These costs are included within the accounts in the line 'change in market value of investments'.

57. Investment management expenses are for the most part calculated based on the value of the assets. So, if the asset value increases, so do the costs, and vice versa. However, you'll see that, over the year, total investment management expenses have fallen by over £4 million despite the asset values increasing. The reduction in costs is primarily due to the reduction in the allocation to global macro funds (or what we used to call absolute return), where costs tend to be high, and the decision to take money out of equities and invest in cash, which Dick will discuss in a few minutes.

58. It is important to note that all investment performance is measured after deduction of all investment management expenses. We therefore should not just look at investment management expenses in isolation but also look at the returns generated from the underlying investments, net of these costs. Dick will discuss these returns in more detail.

59. Now let's turn to administration expenses. These costs include those paid to the Scheme's Administrators, Aon Hewitt and also the Scheme's share of the costs of CPT, the executive. The CPT costs also include the in-house investment team, CPTI which we started building over a three year period from 2008 and has replaced the external investment consultants. The latter costs were previously included within investment management expenses so there is a saving in this area and an increase within 'Administration expenses'. The slide shows a £764,000 or 14% increase over the year. This is clearly not something we would normally expect to see. Having investigated this increase further, we identified that 2 invoices totalling £391k were received in April 2015 and accounted for in the current year but they should have been included in the 2014 accounts. The net effect is that adjusting for these invoices the administration costs would have stayed broadly level over the year. Over time, as the membership falls, we expect administration costs to fall. We should also see some falls as a result of the changes made earlier this year, which will simplify the Scheme.

60. Finally, the 'other' costs. These are the costs of the advisers, including lawyers and actuaries. The costs have been higher than usual over the last couple of years, reflecting the significant amount of advice surrounding the review of benefits. So, once again, we would expect these costs to fall in the future. It's worth saying again that these high costs were justified by the increases to the pensions that we achieved.

61. Please let me assure you that the Trustees review all costs quarterly and look to save costs wherever possible.

62. There is, of course, lots of detail behind these costs which we review and analyse all the time. I can only give a high level snapshot of the costs here but I hope it gives you a feel for the costs of running a scheme of this size and complexity.

63. I'd now like to hand over to Dick Barfield, Chairman of the Investment Committee who is going to talk about the Scheme's investments.

**Dick Barfield**

64. I'd like to talk first about the investment objectives of the Scheme and how we have developed an investment strategy best placed to meet these objectives.

65. The investment strategy and strategic asset allocation – how we invest the Scheme's funds - are by far the most important investment decisions that Trustees make. I'd like to take you through the Trustees' thinking behind the investment strategy and how that has changed following the recent changes to the Scheme structure.

66. I will then talk about the performance of the Scheme's assets.

67. The strategy was developed when the surplus sharing arrangements were in place. The existence of the Government Guarantee gave us the opportunity to push for higher benefits than the minimum level set out in the Scheme Rules, by paying bonus pensions. High investment returns were required to earn and maintain the bonus pensions and this was reflected in the types of assets we held. We had a high allocation to assets such as equities and property, which have high expected returns. However, the value of these type of assets can go down as well as up – and it is by no means guaranteed that they will provide consistently high returns, especially over shorter periods.

68. During the course of 2014, it became more likely that the discussions with the Guarantor would soon reach a conclusion. We were acutely aware that a big fall in assets at that time might put any agreement at risk. At the same time, we still needed to seek significant returns should a deal not be reached. We thought long and hard about our investment strategy during the year and, from August 2014, we reduced the level of risk by selling some equities and keeping the proceeds in cash. At that time the prospective returns from equities had fallen considerably. Over the last half of the financial year, therefore, we held about 10% of the assets in cash. As I said, the purpose of this was to reduce the risk of falls to the portfolio, especially over the near term.

69. As it turned out, equity markets remained strong for the remainder of the financial year, although they have fallen since the year-end. So, the decision to hold some cash has had an impact on returns. But the reasons for that decision were sound ones taking account of the circumstances at the time.

70. Kate has already mentioned that our obligations following the recent changes are to pay all benefits as they fall due and repay the Investment Reserve in full in 2033. We have been working hard to ensure that our investment strategy remains appropriate to meet these obligations.

71. Since the end of the Scheme year and reflecting the changes to the Scheme, we have reviewed the asset allocation. The future return requirements have changed, as have the main risks. The investment environment, characterised by historically low interest rates and low expected returns in most assets, brings a new set of challenges.

72. As a result, we have developed a different asset allocation that reflects these new objectives and risk parameters.

73. As you can see, we have reduced the level of equities still further. We have also started purchasing Government bonds. We have continued moves into some non-traditional assets, such as private debt and have increased our allocation to property. And we have even bought some ships, including container ships and oil tankers. We continue to look for other assets with attractive characteristics.

74. The new portfolio is less risky than our previous portfolio, by which I mean that, should investment conditions worsen, this portfolio will probably not be as badly affected as our previous portfolio. Of course, we have had to give up some expected future returns for this reduction in risk. But that is fine, as we no longer need to generate surpluses in future.

75. Having established the strategy we then select the managers within each of the different asset classes.

76. The Trustees monitor the performance of the investment managers and are keen to ensure that they continue to generate the required levels of return after taking account of fees and other costs.

77. So let's look at how we've done. The Trustees measure performance in two ways.

78. Firstly, we assess how well the strategy has done by looking at the actual returns on the whole portfolio. The benchmark is not important for this purpose – I'll come to that in a minute.

79. You'll see that, over the year to March 2015, the return was 14.5%. Perhaps more relevant is the three-year return. As you can see, the assets have returned 11.32% per annum over the last three years. These are strong returns, reflecting the increase in global markets over the period.

80. Our second measure of performance is how well the strategy has been implemented, and how well the various managers have done. For this purpose, we measure the performance against the benchmarks set for each manager or relative returns. Relative performance is an important measure to help us assess how well the portfolio is being managed.

81. You can see that, over the last three and five years, the relative performance has been strong. This strong performance has come from more or less all aspects of the portfolio, with which we're very pleased. The results for the last year, however, show that the returns were below the benchmark – this was primarily due to the decision in 2014 that I mentioned earlier to reduce the equity allocation and hold some cash. The benchmark was not changed to reflect the revised holdings in equity and cash. Therefore, as equities performed strongly over the year, this decision negatively affected the Scheme's performance against the benchmark. As I explained earlier, the decision to sell some equities was for risk reduction purposes. The benchmark has been changed since the year-end to reflect the changes to the strategy summarised earlier.

82. I would like to assure you that we spend a lot of time and effort making our investment policy as effective and successful as possible. We've reviewed all aspects of the policy, and remain fully focussed on ensuring that the assets are all working hard to provide good returns.

83. Your Trustees, the investment team at CPT and the various investment managers have worked really hard to get the best results for members. We will continue to work just as hard in the future.

84. I will now hand over the Scheme Secretary, Jon Heathfield, who will read members' written questions and give the Committee's responses.

## Questions Submitted in Advance

**Question: Mr D Gadsby**

Many thanks for conducting the round of roadshows some months ago... at the roadshow which you conducted in Nottinghamshire, it was mentioned that more safety was being sought regarding the investments of the Scheme and that it sounded like liability driven was to become the future theme.

Could I please ask on behalf of younger members, that the Trustees remember that older members have benefited from excellent bonuses and it is hoped that this latest investment strategy will not close the door on younger members enjoying these too.

**Answer:**

As mentioned in the presentations, following the changes made to the Scheme new bonuses (of 2% pa) will be awarded each year to 2019 and from 2020 the total bonuses will form part of the Guarantee. This gives younger members certainty that their bonuses will be maintained, something we would not have been able to provide without the changes.

It is important to stress that the level of your benefits in future will no longer depend on the investment returns. Benefits are now fixed and guaranteed in full.

**APPENDIX C**

# Open Forum

1. **Kate Barker** - Before I open the meeting to questions, I would remind you that the session is just that, a time for questions. The correct forum to express personal views and to deal with individual benefit queries is through the Scheme's administration office at Aon Hewitt. Staff from the Administration Office are here today, and after the meeting, they will be happy to spend time with you to answer any individual benefit queries.

2. We do have a number of visitors who are not members of the Scheme with us today. They are welcome and may ask questions.

3. Please will every speaker give his or her name? If you are not a member, please state the organisation you represent. Please use the microphone, to ensure that you can be heard by everybody here and so it is picked up on the recording for the transcript.

4. So, are there any questions about the operations of the Scheme over the past year?

5. **William Allison**, Scheme member - My question is for Geoff Mellor - I have been in the pension scheme since 1961 and over the last 6-7 years has been very difficult and I think you have handled it excellently. My question is why don't the bonuses increase with RPI as this means that my total pension does not increase by RPI and why do we have to pay tax on our pension?

6. **Geoff Mellor** - There's a couple of points which we need to split. The 2% bonuses that have been awarded will not receive RPI increases; they will stay level and in real terms they will fall over time. Those 2% bonuses were negotiated with the Guarantor. Given our potential inability to provide any increases at all in those years we felt that was a very good outcome. Similarly from 2020 onwards a big proportion of the bonus would still have been reducing i.e. they would go down every year to such an extent that the total pension would have stayed level. Now that bonus will be level rather than reducing, which is better than the members could have expected. I do accept the point that the total pension does not increase with retail price index. The guaranteed pension does and the bonuses (which are different percentage for different members) will stay level from year to year. However we do think that is a good result from the financial position we were in; the Scheme probably would have not had sufficient assets to be able to generate sufficient surpluses to provide that level of benefits.

7. It's very difficult for me to answer a question on income tax, it's not the Scheme's Trustees that decide on tax policy it's the Government. Pensions are taxed as earned income, your contributions in to the Scheme were paid before tax, the investments of the Scheme increase generally without tax. So pensions are paid as taxed income but that's the law of the land as opposed to a Trustee policy.

8. **Mr Wostencroft**, Scheme member - I've been doing some calculations and I reckon there will be 30,000 pensioners left in 2030, the cost of paying the pensions then I think will be £3 billion a year. Is it not possible for you to do a better assessment of what this pension scheme will be like by 2030?

9. **Kate Barker** - You're absolutely right, none of us know where we are going to be in 2030 and it perhaps it won't be a surprise for you to hear that this is actually a question the Trustees spend time talking about. I think Geoff's slides showed 32,000 people still with us in 2035. All I can say about that number is that it's produced on what we think at the moment is the best actuarial

assessment of what we know generally of life expectancies increasing and people living longer. This of course could be incorrect, to put it a bit starkly, we could find that people die more quickly or more slowly, the latter is good news for you but adds to the funding challenge for the pension Scheme.

10. You quoted a figure which you thought would be paid out in 2030 which again is something we look at - it's quite surprising how even 2% inflation increases the sum very dramatically and this is probably why our estimate would be rather higher than that. All I can say is that we have done our very best to produce the best estimates to base our work on and we will carry on doing that.

11. **Robert Thompson**, Scheme member - Since we are in Scotland I feel like we should ask in the event of Scotland becoming independent where would the Guarantee for the Fund come from? Would it be from the British Government or would the Scottish Government be prepared to take over a share of this?

12. **Kate Barker** - There is a lot of uncertainty and this would be one of the issues that would be worked out. I think it's pretty hard to know how this particular Scheme would be dealt with because ahead of the referendum there was very little idea of how the entire debt of the UK would be split up between the UK and Scotland. I think my general expectation would be that the UK Government would continue to be the people who would provide the Guarantee for this Scheme. I would be very surprised if it turned out to be otherwise. Particularly since there is no ongoing payment, just a contingent liability, but I don't think we can be completely certain.

13. **Geoff Mellor** - This is one of the things we looked at last year and I'm trying to remember now as it feels like last year’s problem, but I think it may well be a future year’s issue to deal with. The pension Scheme is in the Government’s accounts as an asset and not a liability so there is a possibility people would fight over the Guarantee as we still owe the Guarantor £1.7 billion.

14. This is an English scheme written under English law and benefits are paid in sterling but I think the answer you gave is quite right Kate, it would be part of the negotiation over the splitting of the debts and the assets of the UK if that were to happen. Our first assumption is that it would be probably held in what remained of the UK but the fact that it's seen as an asset we thought was quite ironic really and they might actually fight over it.

15. **Ian McAlpine** from CISWO - The bonus schemes over the next 3 years - do they get calculated within the deferred pensioners’ pot as well or do they have to wait until they retire before that comes in?

16. **Jon Heathfield** - Yes, deferred pensioners get the same amount as pensioners do, so you'll get the same 2% bonuses awarded up to 2019 and then they will be paid in perpetuity to you.

17. Just on the previous point, about 1,000 of our pensioners do live overseas and we have arrangements in place to pay pensions to them, so if Scotland did become independent we would pay you your pension still because you are still entitled to it; you wouldn’t lose your pension.

18. **Kate Barker -** Thank you for your questions. I would now like to spend just a few moments bringing this AGM to a close.

19. As we mentioned earlier in our presentations, we are very pleased with the benefits that we have been able to secure for you, our members – being able to provide you with certainty about your

future pension increases which are in excess of those achievable under the previous structure whilst maintaining the security of your benefits.

20. Just because the changes have been made, doesn't mean that we can now sit back and relax. We are continuing to work very hard (as I hope we have demonstrated today) to ensure that your Scheme remains appropriately funded throughout the future and to provide you with the best service.

21. We anticipated that the issues raised today would prompt a good deal of interest from members at this Annual General Meeting. As usual, we have not been disappointed, and I thank you for your questions. I hope you have found the meeting both interesting and informative. We shall be here for a little while yet and you are welcome to join us for further refreshments and informal discussion.

22. I would like to thank all those at CPT, as well as the staff from Aon Hewitt and the CISWO, who have worked to put together today's event. The Trustees, and the CPT Team, work hard throughout the year for all the members of the Scheme and I thank them on your behalf.

23. The AGM next year will be held on 6 October 2016 at the Holiday Inn Royal Victoria in Sheffield; details will be included in the next edition of Pensions News.