BRITISH COAL STAFF SUPERANNUATION SCHEME

Minutes of the Sixty-Seventh Annual General Meeting of Members held in the Hallmark Hotel, Midland Road, Derby DE1 2SQ, at 2pm on Tuesday 9th September 2014

Present

Mr PE Read (Chairman)
Mr RA Barfield
Dr RS Chappell
Mr DA Clark
Mr BW Hancock
Mr S Jukes
Mrs H McGuire
Mr R Proctor

In Attendance

Dame K Barker – BCSSS Chairman elect
Mr G Mellor – Chief Executive, Coal Pension Trustees Services Ltd
Mr J Heathfield – Scheme Secretary, Coal Pension Trustees Services Ltd
Mr D Whincup - Coal Pension Trustees Services Ltd
Mr G Lane - Coal Pension Trustees Services Ltd
Mrs H Willcox - Coal Pension Trustees Services Ltd
Miss L Newsome - Coal Pension Trustees Services Ltd
Mrs D Larnder – Ernst & Young LLP
Mrs M Marsden - Aon Hewitt
Mr D Tebbett - Aon Hewitt

There were 80 members of the Scheme present.

AGM PRESENTATION

1. Mr Read welcomed those present to the 67th 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 67th Annual General Meeting of Scheme members.

2. My name is Philip Read. I am the Chairman of the Committee of Management of BCSSS, a position I am privileged to have held for the past seven and half years. I have been a Trustee of the Scheme for 9 years.

3. This is my final Annual General Meeting, as my current period of office as both a member of the Committee of Management (COM) and Chairman ends on 20 September 2014. Having been in office for nine years, I am not eligible for re-appointment. This is good corporate governance, and enables me to be able to hand over the Chair to capable new hands – more about that later.

4. The Annual General Meeting provides you, our members, with the opportunity to review the Scheme's Report and Accounts as well as to hear presentations 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. But this year we have not received any, although I am pleased to see we have received some questions in advance.

6. As some of you will know, each year the Annual General Meeting 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 to be back in the Midlands again, our first visit since 2008, although this is the first Annual General Meeting we've held in Derby.

7. Bleddyn Hancock. Bleddyn is the Pensioner Representative for the North West England, West Midlands, Wales and Northern Ireland constituency.

   Stuart Jukes. Stuart is the Pensioner Representative for the Yorkshire and North Lincolnshire constituency.

   Allen Clark. Allen is the Pensioner Representative for the Scotland and North East England constituency.

   Bob Chappell. Bob is the Pensioner Representative for the East Midlands, Southern England and Overseas constituency.

   Dick Barfield. Dick was appointed by the Committee of Management. He is the Chairman of the Scheme's Investment Sub-committee.

   Heather McGuire. Heather was appointed by the Committee of Management. She is the Chairman of the Administration and Benefits Sub-committee.

   Ray Proctor. Ray was appointed by the Committee of Management. He is the Chairman of both the Scheme's Risk and Assurance Sub-committee and Discretions and Appeals Sub-committee.

8. I am now delighted to be able to introduce Dame Kate Barker to you – Kate will take over from me as an appointed trustee director, and as the Chair of the Scheme, on 21 September.

9. Kate is an Economist with much practical experience under her belt. She is currently a non-executive director of Electra Private Equity Plc, Taylor Wimpey Plc and the Yorkshire Building Society and she is a Senior Adviser to Credit Suisse. She has previously been a long-serving member of the Bank of England's Monetary Policy Committee, Chief Economic Adviser to the CBI and Chief Economist for the Ford Motor Company in Europe.

10. I alluded earlier to my successor having capable new hands – it is clear that she brings with her a wealth of knowledge and experience. Kate, welcome to the team!

11. I'd like to say a few words about the commitment each member of the Board has shown in looking after the interests of the Members. Over the year to March 2014, we had 18 Committee of Management and Sub-committee meetings, together with another 14 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 his or her knowledge and understanding, through attendance at external courses and seminars, and through formal and informal training. I am grateful for their dedication, their contributions to many challenging discussions and deliberations, and for their support of both myself and the team at Coal Pension Trustees.

12. Joining us at the table from the staff of Coal Pension Trustees (the Scheme's Executive) is Geoff Mellor, the Chief Executive, and Jon Heathfield, the Scheme's Secretary.

13. Coal Pension Trustees employs 37 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.

14. The programme for this afternoon's meeting is shown on the slide. I shall begin by giving an overview of the Scheme both over the last year and over the nine years that I've been involved with the Scheme. I shall then hand over to Geoff Mellor, who will explain the key numbers in the Scheme's accounts as at 31 March 2014 and will review the Scheme's funding position. You should have received a copy of the Accounts with your AGM ticket – if not, you can pick up a copy before you leave. Dick Barfield will then give you an update on the Scheme's investment strategy and performance.

15. We have received some written questions in advance, as I mentioned, and Jon Heathfield will respond formally to these on the Committee's behalf. I shall then invite questions from the floor, which we will endeavour to answer, before I draw the formal proceedings to a close.

16. There will be time at the end of the meeting for further refreshments and you are very welcome to take the opportunity to chat with the Trustees and Scheme Officials before you head home today. Representatives from the Scheme Administrators (Aon Hewitt) are also with us this afternoon, so if you have not had chance yet to visit their stand, you may wish to do so at the end of the formal proceedings.

17. Those of you who were with us in Cardiff last year will recall that we discussed the outcome of the 2012 Actuarial Valuation of the Scheme and the effect of the Valuation results on members' pensions. I am pleased to say that were able to award increases equivalent to 2%

of your guaranteed pension for three years, the first payment of which you will have received in January this year.

18. Geoff Mellor will explain how we were able to provide these increases for members in more detail in a few minutes. However, I will say that it required some difficult, but productive, discussions with the Guarantor, as I'll now explain.

19. When carrying out an Actuarial Valuation, the Government Actuary has to make a number of assumptions: such as, how long members and their dependants are expected to live and what future investment returns we expect to get on the assets. Different assumptions will lead to different results, so the Government Actuary's decision on what assumptions to adopt is very important.

20. The Government Actuary consults with the Trustees, and with the Guarantor, on the most appropriate assumptions to use to value the Scheme's liabilities. There is a range of assumptions that he might have chosen and, consequently, a range of possible Valuation outcomes. The Trustees' objective during this consultation was to arrive at an outcome that enabled us to provide some increases to members' pensions over the short term. Unfortunately, for almost all the sets of assumptions that the Government Actuary would have regarded as reasonable, there would have been no increases to the pensions of members. We were, however, able to identify one set of assumptions that would enable the Trustees to provide some increases, and the Trustees were keen that those assumptions were adopted by the Government Actuary.

21. Unfortunately, it's not that simple. The Government Actuary also has to consult with the Guarantor and must consider the Guarantor's objectives in arriving at his final set of assumptions. The Guarantor was understandably keen to avoid having to pay new money into the Scheme and there were a number of sets of assumptions that would have achieved that outcome. Unfortunately, there were no assumptions that would satisfy both the Trustees' and the Guarantor's objectives. That is, an actuarial basis that would have enabled the Trustees to increase members' pensions would require new funds from the Guarantor. And a basis that would mean the Guarantor did not need to put in new funds would preclude the Trustees from increasing pensions.

22. So, in order to persuade the Guarantor to support our preferred assumptions and in the particular circumstances of the 2012 Valuation, the Trustees agreed to waive the requirement for the Guarantor to pay in new money. This was not an easy decision. But we took legal advice, and considered the implications carefully.

23. Firstly, it was clear that, if the Guarantor had been required to put new money into the Scheme, this would have remained in the Guarantor's Fund and neither improved the long term outlook for members' pensions, nor funded any increase to members' pensions over the next few years.

24. Secondly, the Trustees took care to ensure that the decision to waive a call was specific to the circumstances of the 2012 Valuation, and would not set a precedent for future Valuations. The Scheme Rules continue to provide that, should the next or any subsequent Actuarial Valuation result in a call for new money from the Guarantor, then the Trustees will be able to make that call.

25. I have asked Geoff to explain some of this further, when he shows you more detail on the Actuarial Valuation results, and the funding position of the Scheme, in his presentation, later this afternoon.

26. I would like to make it clear that, although we are delighted to have been able to provide some modest increases to pensions for three years, and although investment performance has been very satisfactory, as Dick Barfield will explain in a moment, the funding level of the Scheme remains weak.

27. The Guaranteed Fund, which holds the assets to support the pension to which you are entitled, remains underfunded. The main reason for this is the effect of the challenging economic conditions over the past six years, which adversely affected investment markets, particularly at the start of that period. There is also the fact that we are all living longer than was anticipated in previous Valuations of the Scheme. Paying pensions for a longer period increases the liabilities. At each of the 2009 and 2012 Valuations, assets were borrowed from the Investment Reserve in order to balance the funding level in the Guaranteed Fund.

28. The Scheme Rules require that any surplus in the Guaranteed Fund that may arise from a future Valuation of the Scheme must first be used to repay the Investment Reserve debt, which was £1,584m at 31 March 2012. This is enormously challenging. Until that debt is repaid and additional surpluses are generated, we will not be able to declare new bonuses. Without adequate new surpluses, enabling both the repayment of the Investment Reserve Debt and the opportunity to declare new bonuses, pensions will remain level for some years after the 2% increase in 2016.

29. The Trustees recognise the implications of this difficult funding position and we are looking at all options to improve the longer term benefit outlook for members.

30. As this is my last AGM, I'd now like to reflect a little on the last nine years. I was initially appointed as a member of the COM on 21 September 2005, and became Chairman following Sheila Gleig's retirement on 30 April 2007. A great deal has happened over these nine years, including the biggest financial crisis in living memory.

31. Back in 2005 the Scheme had 66,850 pensioners and 17,677 deferred pensioners, with annual guaranteed payments of £499 million, and additional bonus payments of £125 million. The Fund value in 2005 was £10.1 billion.

32. In comparison, in 2014 the number of pensioners has fallen to just over 56,600 and there are now just 5,862 deferred pensioners. The annual guaranteed payments to pensioners have grown to almost £525 million, with additional annual bonus payments still around £125 million. The Fund value as at March 2014 was just under £9 billion.

33. A significant change has also taken place in the demographics of the membership. The average age of the Pensioners has increased from 64 in 1995 to 72 in 2012. Moreover, improving longevity has resulted in the expectation of life of a new pensioner aged 60 increasing from 18.5 years in 1995 to 25.4 years in 2012. The fact that members are living longer has considerably increased the amount of expected future pensions to be paid from the Scheme and, as I have already mentioned, the liabilities of the Scheme to pay those pensions for longer.

34. Nevertheless, over the last nine years the Scheme has paid out in total just under £6.6 billion to its beneficiaries in the form of annual pensions and lump sums on retirement and death.

Over the same period just over £1.3 billion has also been paid to the Guarantor as required as part of the Guarantee arrangements.

35. There have been three Actuarial Valuations since 2005. In 2006, we disclosed a significant Guaranteed Fund surplus and were able to provide new bonus pensions, which increased members' incomes in real terms. As I explained a moment ago, the 2009 and 2012 Valuation results were less positive, as the impact of the financial crisis really became apparent. Despite the poor funding level in the Guaranteed Fund, due to the effect of standstill, we were able to award some annual increases to pensions after each of these Valuations.

36. The next Valuation of the Scheme is due as at 31 March 2015. As we have explained before, any surplus in the Guaranteed Fund at this date will first have to be used to repay the borrowing made from the Investment Reserve (at the last Valuation this was about £1,584 million), together with investment returns earned on that amount. Only after that amount has been repaid in full can surplus be transferred to the Bonus Augmentation Fund to provide new bonuses for members.

37. Consequently, it is difficult for the COM to see how we will be able to pay any meaningful pension increases in 2017, 2018 and 2019, after the 2015 Valuation. So, despite the better than expected short-term outcome for members after the 2012 Valuation, the funding level of the Guaranteed Fund remains a challenge, and the outlook for further bonuses beyond the next Valuation remains poor.

38. We continue to discuss this matter with the Guarantor, in an attempt to see if there are ways to improve the position for members.

39. Over the past few years, there has been significant change in both the structure and responsibilities of our in-house team at CPT. Under Geoff Mellor's leadership, we have jointly with our sister scheme (the Mineworkers' Pension Scheme), established and built up our own in-house investment subsidiary, Coal Pension Trustees Investments Limited (CPTI). The CPTI team is headed by our Chief Investment Officer, Stefan Dunatov. The skills of this small team allow us to focus the strategic investment thinking on our specific requirements as we invest the assets to attempt to achieve the best possible outcome for members. This team is also responsible for implementing the resulting strategic objectives. Dick Barfield will explain this in more detail in a moment.

40. To complement the skills of CPTI Geoff has also strengthened the in-house actuarial capability. This actuarial capability allows us to consider and to manage the specific funding risks of our Scheme in order to attempt to achieve the best possible outcome for members.

41. The CPT team has also continued to provide high quality secretarial services, administrative oversight (day-to-day operations are outsourced to Aon Hewitt), accounting and management information support for the Trustees.

42. I have been very fortunate in working with a stable and committed team on the COM. I have valued the work and input to our deliberations of each of our COM members, as we have grappled with challenging funding and investment conditions, and in implementing the major changes I have just described in the way in which the Trustees now work with CPT and CPTI.

43. I should like to express my sincere thanks to the team on COM, and to the staff at both CPT and CPTI, for all the hard work they do and for the diligent and wise assistance they have given to me during my time in office.

44. I shall now hand over to Geoff Mellor, who will explain the numbers in the Scheme's Accounts and provide an update on the Scheme's funding position.

Geoff Mellor

45. Thank you, Philip, and good afternoon everyone. I'd like to start by looking 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.

46. Payments from the Scheme amounted to £709m, or nearly 8% of the value of the Fund. The pensions paid to members and dependants, at £666m, accounted for almost 94% of this expenditure. Payments to the Guarantor, representing instalments of their share of past surpluses, amounted to £37m, or 5.2% of expenditure, with the administration costs making up the remainder. There will be two further instalments payable to the Government in respect of their share of the surplus from the 2006 Valuation.

47. The return on the Scheme's investments over the year was £583m, made up of investment income (less investment management expenses) of £118m and capital appreciation of £465m.

48. The net effect of these movements is a decrease in the overall Fund value of £126m, giving a total value of the Scheme's assets of £8,973bn.

49. I would now like to look at the funding position of the Scheme and consider the outlook for bonuses after the 2015 Actuarial Valuation.

50. As you will be aware, the Scheme's assets are allocated to four Sub-funds as set out on the slide. Each of these Sub-funds has a specific role to play and we need to consider the financial position of each of these funds in order to see the outlook for future pension increases and the outlook for payments to and from the Guarantor.

51. The ability to declare new bonuses in the future will depend primarily on the financial position of the Guaranteed Fund and the Bonus Augmentation Fund. Let's look at the Guaranteed Fund first.

52. This was the position after the 2012 Actuarial Valuation. The first thing that the Actuary does is to value the assets and liabilities of the Guaranteed Fund. In 2012, there was a deficit in the Guaranteed Fund, which had to be made good by transfers from the other three Sub-funds. After these transfers, the effect is to put the Guaranteed Fund into balance. That is, no surplus and no deficit.

53. However, the most important figure on this slide is the Investment Reserve debt. The first use of any Guaranteed Fund surplus in 2015 will be to repay the Investment Reserve debt. Only when that debt is repaid in full can any additional surplus be transferred to the Bonus Augmentation Fund to provide new bonuses. As you can see, that debt was nearly £1.6bn after the 2012 Valuation. If we had carried out a Valuation as at 31 March 2014, we estimate

that about £700m of this debt could have been repaid, which you can see is well below the total level of that debt.

54. Put another way, despite the positive returns over the two years since the 2012 Valuation, we remain some considerable way from being able to repay all of the Investment Reserve debt in 2015. It is likely that some of the debt will be repaid in 2015, reflecting the positive investment returns to date, but that the remaining balance will have to be repaid from any surplus at the 2018 and subsequent Valuations. Until the debt is repaid in full, there will be no surpluses available to be transferred to the Bonus Augmentation Fund to provide new bonuses.

55. So now let's look at the Bonus Augmentation Fund. After the 2009 and 2012 Valuations, we were able to use some surplus in this Sub-fund to provide modest pension increases. After the 2012 Valuation, there was £289m of surplus in the Bonus Augmentation Fund. This was sufficient to allow the Trustees to provide increases of 2% of guaranteed pensions in 2014, 2015 and 2016. As you can see from the slide, it is very unlikely that we will be able to provide such increases after the 2015 Valuation.

56. The slide summarises the position and, I'm afraid, highlights the poor immediate outcome for bonuses. We are unlikely to be able to repay the debt to the Investment Reserve in full. As a result, no new surplus will be transferred to the Bonus Augmentation Fund. This will mean that there is insufficient surplus in the Bonus Augmentation Fund to provide new bonuses. So, pensions are likely to stay level, or possibly enjoy some very small increases in 2017, 2018 and 2019.

57. 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

58. 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. 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 the key changes to the investment structure over the past year. I would then like to talk about the performance of the Scheme's assets.

59. Like every pension fund in the UK, the overriding objective of the Trustees is to ensure that the Scheme can provide members with their expected benefits. However, unlike most other pension funds, the Scheme has the advantage of the Government Guarantee and surplus sharing arrangements. This gives us the opportunity to push for higher benefits than the minimum level set out in the Scheme Rules, which we distribute in the form of bonus pensions. High investment returns are required to earn and maintain these bonus pensions and the Trustees are acutely aware of the investment risks that they need to take to meet these objectives and the potential impact that this may have on members' benefits.

60. Geoff has already discussed the current funding position of the Scheme and the effect that it is likely to have on pensions. The starting point in developing the investment strategy of the Scheme is to recognise that significant investment returns will be required in the future if we are to repay the Investment Reserve debt and provide new bonuses.

61. As you can see from the slide, we have a high allocation to assets such as equities and property, which have high expected returns. This is consistent with the need to generate strong returns in order to provide future bonuses.

62. It is important to recognise that the values of these assets can go down as well as up – and it is by no means guaranteed that investing in them will provide consistently high returns, especially over shorter periods. However, we have to generate high returns to have a realistic chance of awarding bonuses in future. So, whilst being mindful of the risks, we are satisfied that these are risks we should take.

63. All of the assets have an important role to play in the portfolio, be it to generate high levels of return or to produce cash when needed to pay benefits. We regularly review the asset allocation to ensure that all the assets continue to earn their place in the portfolio. Over the year to March 2014, we made some changes to the asset allocation. For example, we decided to sell our holdings in uncorrelated assets, as we were not sufficiently confident that these assets would provide returns high enough to meet our objectives. We have increased our holdings in property and started investing in private debt – both of these asset classes are expected to provide high levels of income and good overall returns. We do not hold any government or corporate bonds because the low yields currently mean that the returns will not be high enough.

64. While we recognise the risk that we could potentially see extended periods of low or negative returns, the Trustees have maintained a high allocation to return-seeking assets, in recognition of the need for high returns to provide future bonuses.

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

66. 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.

67. So let's look at how we've done. The Trustees measure performance in 2 ways. Firstly, we assess how well the strategy has done. This is the most important, because it is what principally drives whether we can pay a bonus. We look at the actual returns on the whole portfolio. The benchmark is not important for this purpose – I'll come to that in a minute.

68. You'll see that, over the year to March 2014, the return was 6.8%. Perhaps more relevant is the 3 year return. As you can see, the assets have returned 7.5% per annum over the last 3 years. These are strong returns, reflecting the recovery in global markets over the period.

69. However, as Philip and Geoff have discussed, the returns needed to repay the debt to the Investment Reserve and be in a position to declare new bonuses are very high. Although we are pleased with the way our strategy has performed in recent years, we recognise the challenges ahead if we are to return the Guaranteed Fund to surplus.

70. 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 will not have the same impact on the bonus outcome as the absolute level of return, but it's still an important measure to help us assess how well the portfolio is being managed.

71. You can see that, over each of the last three 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.

72. We've spent a lot of time and effort in recent years 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.

73. 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.

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

APPENDIX B

Questions Submitted in Advance

1. Question 1: Mr M Whitfield:

As contributors to the BCSSS were we “Contracted Out” of the State second/Serps? Pension(s). This is now becoming an important question as the Government have been revealing some of the qualifying rules for the “single state pension/Single Tier Pension” which they announced earlier in the year. My understanding is that pensioners who were “contracted out” of the state scheme paid a reduced NI contribution rate and this will now mean that they will not get the full single tier state pension in 2016 when it comes into force for people reaching OAP retirement age.

I am unclear whether BCSSS contributors were “contracted out”. If so when did this apply to and from? For example I worked for British Coal between 1974 and 1995 - was I contracted out for the whole of this time or did contracting out only come about from a specific date? Or indeed was I not contracted out at all?

Assuming BCSSS is a contracted out scheme then a related question is whether the new announcements will effect pensioners who have taken the levelling option.

Answer:

Yes, the BCSSS was contracted out from both the State Graduated Pension Scheme from 3 April 1961 until 5 April 1975 and SERPS from 6 April 1978 until the Scheme closed in 1994. This meant that you paid a lower ‘contracted out’ rate National Insurance contribution and only earned credit in the Basic State pension (not the additional State pension). The pension that you would have earned in the additional State pension had the Scheme not been contracted out, forms part of your BCSSS pension.

From 6 April 2016 the current State pension arrangements will be replaced by a single-tier State pension. A deduction will be applied to the amount of the new State pension payable where individuals paid lower ‘contracted out’ rate National Insurance contributions, as in the BCSSS. BCSSS members will, however, continue to receive the equivalent of this deduction as elements of their BCSSS pension.

Members should be no worse off for being contracted out. If the Scheme had been contracted in, members’ State pensions would be higher but their Scheme pension would be lower.

With regard to Government bringing forward the increase in the State Pension age to 67 – this will not have a negative effect on members who took the levelling option. Under the BCSSS Rules, the levelling option addition will be paid to State Pension Age and the reduction in BCSSS pension will be applied from State Pension Age, even if State Pension Age is beyond age 65.

2. Question 2: Mr M Frost

I would like the Scheme to address the possibility of a vote for Scottish Independence following the referendum on September 18th and to report on this to the meeting on the September 9th. Presumably, there are Scheme members who live abroad, so the Scheme will have some experience of how members’ pensions are paid and how they are affected by, for example, exchange rates and different tax regimes.

In the event of a "no" vote, there could still be changes because the promise of further devolution includes the probability that income tax could be paid in both England and Scotland, so how would this be administered?

I fully understand that definitive answers cannot be given until after the referendum and when negotiations have been completed. However, I expect the Scheme to have considered the likely outcomes and to have investigated how the best interests of members may be served.

Answer:

The Scheme is registered in England and operates under English Law.

The Scheme currently has approximately 1,000 Scheme pensioners resident outside of the UK. Arrangements are in place for payments to be made into their overseas bank accounts. This involves the conversion of pension into the local currency (at the exchange rate applicable on the date of transfer) and the subsequent payment into the overseas bank account.

Should Scotland become an independent country then this process would be replicated for pensioners resident in Scotland who had a Scottish bank account.

The issues of currency and taxation are outside of the Trustee's control. However, as previously mentioned the Scheme already makes payments to those pensioners resident overseas and operates under the taxation agreements reached between the countries concerned. If Scotland did become independent it seems likely that reciprocal taxation agreements will be reached and this would determine how pensions would be treated, but until this happens it is not possible to confirm the position.

One particular issue is that BCSSS overseas pensioners fall into the East Midlands, Southern England and Overseas constituency. Currently pensioners resident in Scotland fall into the Scotland and North East England Constituency, so it is likely we would have to look at the constituency splits in the event of a 'Yes' vote.

3. Question 3: Mr JWW Morley

What happens at 2019 when I understand that our agreement for the scheme say we must pay back ALL monies owing to the Government (our Guarantor). This will no doubt leave the scheme somewhat short on assets for investment for the future so no possible surplus or a new deficit after that date.

Therefore how will this affect our members' pensions and the scheme in general?

Answer:

Under the Scheme Rules, the Investment Reserve assets have to be paid to the Guarantor by 2019. Money in the Sub-funds that are used to pay members' pensions (the Guaranteed Fund and the Bonus Augmentation Fund) will remain in the Scheme.

By way of background, the Investment Reserve is British Coal's share of surpluses that were in the Scheme in 1994 (the member's share having been used to increase members' benefits). The Scheme Rules require that these funds be paid to the Guarantor over the period to 2019. Over the years since 1994, the Investment Reserve has acted as a "buffer", which has protected the Guarantor from paying new funds into the Scheme when there has been a deficit. It has enabled the Trustees to smooth bonus amounts to a limited degree. If in the future, after the Investment Reserve has been paid back to the Guarantor, there is a deficit in the Scheme, then the Guarantor will continue be responsible for ensuring sufficient money is paid into the Scheme in order to meet this deficit.

It is important to note that paying the money in the Investment Reserve to the Guarantor does not change the Guarantee arrangements and will not affect the overall level of surpluses and deficits in the future.

APPENDIX C

Open Forum

1. **Philip Read** - 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. 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.

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

4. **John Sheldon**, Scheme member - At the last AGM I raised a question about the increasing administration costs and both you and Jon Heathfield assured me that, although you hadn't got the detail to answer the question, you would let me have a reply and I accepted that assurance. The reply never came. I also noticed that later you do have a website where questions and answers are supposed to be included. My question did not appear on that format. I waited until December and then I got into correspondence with the Secretary and I started looking deeper into the figures and it became clear to me that the increasing costs were attributed to Coal Pension Trustee Services Ltd. During this correspondence I asked a number of questions and one of the questions was how many people are employed by Coal Pension Trustee Services. The answer was that it would not be appropriate to provide details of our numbers to you. I also found that the admin function for possibly 10 years had been carried out from the Barracks offices, and round about 2010 the move was made to Ventana House. Prior to the move the admin costs to the Scheme were in the region of £800,000 per year and now it is in the region of £3 million a year. This move took place after the 2009 Valuation when you knew the Scheme was in deficit. Why was the move necessary for a Scheme that will wind down after a number of years? And can you please explain the increase of the costs?

Secretary's note: Mr Sheldon requested information in a letter dated 16 October 2013; a response was provided 8 November 2013. Details requested but not provided concerned the number of staff employed by CPT and the remuneration of CPT's highest paid employee. The BCSSS Trustees are not at liberty to disclose salaries of any of BCSSS's service providers, including CPT's employees, as these are confidential to the service providers. A request for clarification and further information was made by Mr Sheldon on 13 December 2013 and a response provided on 9 January 2014. Details requested but not provided were as above regarding CPT staff numbers and salaries. In addition, expenses paid to each of the Scheme's service providers was not provided for the same reasons.

The questions raised by Mr Sheldon at the 2013 AGM were not published on the Scheme's website, as only those written questions and answers received in advance and presented to the AGM are published. However, his question did appear in transcript of the questions raised during the open forum session, which was available on request, as reported in the winter 2013/14 edition of BCSSS Pensions News. We will, however, be publishing the transcript of all the questions raised in the open forum session on the website from year 2014.

5. **Philip Read** – I'm going to get Geoff to answer the detail but, first of all, I would like to apologise because if you did ask for some information - and I'm afraid I don't have any recollection of it - it ought to have been provided. So I do apologise for that. I will ask Geoff, who is the Chief Executive of CPT, to answer the question about why the costs have gone up.

6. **Geoff Mellor** - The move from the Barracks to Ventana House didn't increase the costs from £800,000 to £3 million. In fact, we have less office space in Ventana House than the Barracks and the Barracks needed a significant amount of work. We were unable to get a reduction in price for renewing the lease with our then current landlord and so we moved to smaller premises in the centre of Sheffield. It would be incorrect to link the increase in the administration costs to the effect of moving office, as we have actually reduced the rental cost. I'm sorry I don't have the actual numbers here from before 2010, but what I can say is the reason the costs increased for CPT, was that we insourced the Strategic Investment Management. We also built an Investment team, which is based in London and there were costs around establishing an office, recruiting and then paying that team. The offsetting savings in investment consulting costs would be in a different line in the accounts, because that comes under Investment Management expenses. Up until 2011/12 we paid a significant 7 figure sum to an external investment consultant. So that's the main reason why CPT costs has moved; it's primarily a cost that's moved from Investment management to administration in the way in which it is accounted. The overall costs have not increased in real terms over that period. There is some re-bucketing because of how the accounting statement requires us to write down those costs in the accounts, but overall if you add together the Investment Management and CPT admin costs, you would not see an increase in total.

7. **Jon Heathfield** – last year there were administration costs of £6 million, in the accounts everything is rounded to the nearest million because of the size of the Scheme. The actual costs in 2013 were £5.596 million which got rounded to £6 million. This year the costs were £5.283 million which got rounded down to £5 million. The specific question, as I remember it last year, was why have the administration costs gone up by £1 million, and the answer we provided was, we think it was in the rounding. It had gone up above £5.5 million so we rounded it up to £6 million. That is why there appeared to be a 20% increase in it.

8. **Philip Read** – I did mention in my speech that CPT employs 37 staff, 8 within CPTI which is the investment arm. Those new skills were brought into the team to make the assets work harder. If you recall on Dick's slide, the Investment performance numbers have been very satisfactory over the last 3 and 5 years and that's largely because of the decision we took to insource that work and not to pay a lot of money to consultants. It seems to be working. Of course, we are not saying that £6 million is not a lot of money, but it is all part of the whole process of working the assets hard to deliver better benefits for the members.

9. **Richard Lyons**, Scheme member - You're giving us a very gloomy picture for the future. You're telling us we are possible going to get 1% which is not a very good return for members who have paid in to this Scheme. I see from the annual accounts two things, firstly that Trustees' remuneration is provided excluding expenses. I think the members should see all the expenses that are taken out of the members' Fund. Also, from 2005/6 to 2013 there's been an increase in payments to all the Trustees of the Fund, not us, you: the Chairman's increase has gone up £40,000, that's a total increase of 159%. The ISC Chair, Dick Barfield, had an increase of £41,000, an increase of 413%. Risk assessment have had a raise of 353%. Admin have had a 93% increase. Our elected members, Mr Chappell, Clarke, Hancock and Jukes have gone from £10,000 to £16,800, an increase of 68%. That's a hell of a big increase that you're getting out of our Fund, not us and you are telling us we will maybe will get 2% raise. We are losing members

who are dying and there's less work. Why are you getting such a big increase when you are doing less work for the members, we haven't got the number of members?

10. The second part of the question is why is it that the Sub-committees are never chaired by any of the Trustees elected by us? And why is it that they demand such a high remuneration?

11. **Philip Read** - let me take the second part first which is straight forward. The Memorandum and Articles of Association of the Company provide that the Chairmen of the Committee and Sub-committees must be an appointed Trustee – that is just the way the Scheme was set up in 1994. The more challenging one to answer is the increase in Trustees remuneration. Let me first of all make it clear that the overall level of remuneration for Trustees needs to be competitive. You can't expect people to give up time to act as Trustees without paying them a fair rate for the job. Now what is a fair rate for the job? Were the rates back in 2003/4 a fair rate for the job? I think the answer to that is no. They were much too low. The Trustees approached the Government, who agreed to benchmark the level of fees to the market of what trustees of other large pension schemes were getting. So, the rates of remuneration that were agreed by Government from 2010 matched the market. In the case of my role as Chairman, my remuneration was compared to that of Chairs for other large pension schemes. The same applies for the Chairs of the Investment Sub-committee, Administration and Benefits Sub-committee, and the Risk and Assurance Sub-committee. The rates were not deliberately set to enrich us, but simply to ensure that the people who are doing the work, are being paid a fair rate compared to the market. I have to say that since 2010 the fees to Trustees have only increased in line with inflation. Indeed, this year, the Trustees decided collectively that, instead of increasing the rates in line with inflation (which is provided in the Memorandum and Articles), we would only increase our fees by 2% in harmony with the 2% that was granted to members. Now, that's not to say there will be a 2% increase next year, because the Rules provide that there should be an RPI increase, which is what your base pension goes up by. You also say that you're not getting a return on your money. I want to push back a little bit and remind you that you are both receiving a base pension, which goes up in line with RPI every year, and a bonus pension, which currently is approximately 21% more than the pension you paid for when you were a member of the Scheme. That's great because the surpluses earned by Trustees over the years are being returned to members. So the Scheme has been run very much with the interest of members at heart - by a bunch of very dedicated and hardworking people, as I explained to you. It is important that we pay both our full-time employees at CPT and CPTI, and the Trustees, appropriate remuneration. I believe that the current rates for Trustees are, if anything, on the low side in relation to markets at the moment. But they are much appreciated, as we continue to work hard on behalf of the members.

12. **Cynthia Shaw**, Scheme member – Just a request really, the members here are only a few, there are lots of members out there who are not fully informed about the Scheme. I ask that these questions raised today and the answers can be put in to the Pension News as that is distributed to all beneficiaries and I'm sure they would be interested. I speak for myself as well when I say that there's a lot of older people who are uncomfortable with computers so as the Pension News goes out to everybody it would seem to me a most equitable way of keeping the members informed.

13. **Philip Read** – I think that the way we have handled it in the past is that the questions and answers get on to the website. So if anyone wants to see what went on at the AGM, they can check the website. I'll ask Heather who is Chairman for the Administration and Benefits Sub-committee and who is responsible for communications to think about a way we can communicate through Pension News. I wouldn't want the full speeches, or even the full transcript of the open forum session to be included, but a suitable summary could be included in Pension News. I think it is still worth uploading the full versions onto the website. So, if you

are not happy with the summary in Pension News, you can ask someone who does know how to work a computer to help you access the documents on the website. We are trying to be as open as we can, but equally we are conscious about communicating clearly and concisely rather than at length.

14. **Cynthia Shaw** - So are you saying that you are going to put all of the questions and the answers on the website? And some of the questions and some of the answers in Pension News?

15. **Philip Read** - Yes we will do that.

16. **John Bird**, Scheme member – Given that both the BCSSS Scheme and the MPS Scheme share administration facilities, jointly invest in properties, are both advised by the CPTI Ltd and are both subject to the difficult external financial conditions, can you explain why the MPS Scheme recorded a surplus of over £1 billion in their 2013 Actuarial Valuation, while the BCSSS remains in deficit?

17. **Philip Read** – The short answer is 'no' as I know nothing about the MPS. The Schemes are totally different. They are deliberately set up as separate entities; BCSSS with its own assets and liabilities and MPS with its own assets and liabilities. As I understand it, the demographics are very different. Our Scheme is very mature, the members are very much older on average. We are in negative draw down. In other words we pay out more in benefits then we earn from our investments. So we are consuming assets. The MPS, I believe, is either in balance or is slightly cash flow positive. I don't think that this is the right forum to comment on the differences on the Schemes and their funding, because all I know is what is on the MPS website, which you can read as well as me.

18. **Mike Gibson**, Scheme member. Can you explain how the benchmark returns are determined as they look to shadow the actual returns to a large extent, so is there some retrospective element in them?

19. **Dick Barfield –** They are not retrospective, they are determined when we decide what we think the split of assets ought to be. We take the index that we will use for each of those assets and determine what our managers should aim for. We then measure at the end of the year how the Scheme has performed against that benchmark. So the benchmark tells us how well our managers have done and how well the CPTI team have done in managing about that benchmark. If the Investment Sub-committee decide to change the asset allocation then that benchmark will change and then it will be up to the CPTI team to perform as well as they can against the new benchmark.

20. **Philip Read** – The benchmark is set in advance of the financial year not in arrears. To give you an example, very recently we had an Investment Sub-committee meeting discussion about the allocation we have to equities and decided, on a temporary basis, to move money from equities into cash. As a result we changed the benchmark to reflect the change in asset allocation.

21. **Geoff Mellor** – Yes, it is always for the future, we don't go back and say, when we didn't perform well against that benchmark, so let's change the benchmark.

22. **Mike Gibson**, Scheme member – can anyone explain what uncorrelated assets are?

23. **Dick Barfield –** they are basically a posh way of saying hedge funds.

24. **Philip Read** – the theory is they behave differently from equities but in practice sometimes they don't.

25. **Derek Smallwood**, Scheme member – I would just like to carry on the question really about the benchmark. The crucial thing here is, you're saying the Scheme's in deficit, the future looks fairly negative and what we're also suggesting here is that we appear to be operating around where we should be, but where we 'should be' isn't enough. So I would suggest we should be looking for targets as to what we need to be performing to ensure the Scheme returns to surplus. Clearly not next year or the year after but fairly quickly so that all members can benefit.

26. **Dick Barfield** – The answer is that we are. That is exactly what we do in the ISC; we look at what we expect from different asset classes and we know what sort of return we want, the problem at the moment is that it is very difficult to find assets that we think will make the returns that are needed for the Scheme. We do look each year at what the return has been against what we call the unwind of the discount rate (which is just a technical term). We look at what we think it will be prospectively but as I said previously, with equities having risen a lot and bond yields very low, it is actually quite difficult to put together a portfolio in the current climate which will give us the return that we need. That's why we are moving more in to property and more in to loans as we think these will give us the sort of returns we need, but it isn't easy at the moment.

27. **John Morely**, Scheme member – Can you, as Trustees, assure all BCSSS members that the Guarantee will not be compromised at all by any Government or any future Government, how could any compromise happen?

28. **Philip Read** – The first thing I would say is that I can't commit to any Government's behaviour, certainly not the future. The Rules of the Scheme are absolutely clear; the Guarantee is written into the Rules and it was passed by an Act of Parliament. So, to be able to change the Guarantee, there would be have to be an Act of Parliament. Whoever is in Parliament whether it's Labour, Conservative, UKIP etc., they will have to support a change to remove the Guarantee. It is just not going to happen. The guarantee of your base pension is written into the Rules and I just cannot see that being taken away. Your bonuses are a different issue. At the moment, under "standstill", they are expected to reduce and, as we reported earlier, it is going to be hard for us to be able to pay new bonuses in the near future. But bonuses are protected by the secondary guarantee, which says that your total pension cannot go down from one year to another. I don't believe that the secondary guarantee will change either – I can't give a commitment to that but again it's in the Rules. So, there would have to be a Rule amendment to change that. I think I speak on behalf of the whole Board when I say that there is absolutely no intention to give up the Government Guarantee.

29. **Mr A Wolstencroft**, Scheme member – I have just done a quick estimate of how much my pension has increased and I'm sure that taking into account bonuses, that there has been a substantial increase, for which I thank you as I believe it's true that we have benefitted from increases. I would also like to thank you Chairman for all you have done and I hope it rubs off on to the new Chairman.

30. **Philip Read** – Thank you.

31. **George Stapley**, Scheme member – Please can you clarify the term "non-consolidated" used in the Accounts?

32. **Philip Read** – Denise Larnder from Ernst & Young will explain why we've changed the consolidation bit in our accounts from last year to this year.

33. **Denise Larnder**, Ernst & Young – The Scheme Trustees decided to adopt the general accounting practice that all pension schemes in the UK adopt. That means that if the Scheme has a subsidiary at any point during a Scheme year it has to produce consolidated accounts. Last year the Scheme did have some subsidiaries in some of the investment structures. The last subsidiary was actually sold during the course of the year to which the accounts that you have in front of you relate, so by the end of the year, the Scheme did not own any subsidiaries and reverted back to non-consolidated accounts. Consolidated is a way of aggregating all of the assets that belong to the subsidiaries as well as aggregating the liabilities that belong to other companies within what you would regard as a group. So the year before last there was a group, not just the Scheme but a number of companies. This year there is only the Scheme because the investments themselves do not involve any corporate structures. Of course that might change and we may well be looking at a set of consolidated accounts next year. However, you will be pleased to hear in the future to avoid the chopping and changing of accounting bases, there will be no requirement to produce consolidated accounts. So that you will have more consistency going forward. It doesn't actually make any difference with numbers you read at the bottom in terms of the net assets, however, it simply gives you a different asset number and a different liability number. Each is slightly bigger but they net to exactly the same. So I can assure you it is purely presentational.

34. **Derick Turton**, Scheme member – I'd like to return to operating costs. You mentioned earlier that Coal Pension Trustees Services Ltd is split between ourselves and the MPS Scheme and I understand it is split 50/50. When you look at the breakdown of those two Schemes, I question whether that's a fair allocation. There are 250,000 Mineworkers pensioners, we have I think 61,000. There are 8 Trustees in the BCSSS Scheme and MPS Scheme has 10, and yet you decided to split the operating costs of the pension service between the two, is that a fair allocation?

35. **Geoff Mellor** – We don't split it exactly 50/50. Any costs that are directly attributable are recharged from CPT to the individual Schemes. There have been a number of costs of that nature over recent years. We assess with the Board of Coal Pension Trustees which includes Directors from both of the pension Schemes the way in which costs are assigned every year and we assess it with the two Trustee Boards as well. In terms of the membership numbers the costs of dealing with the membership, the costs that are relevant versus the membership numbers, tend to be the Aon Hewitt costs or the Paymaster costs for the MPS rather than Coal Pension Trustees. There isn't a very big part of our organisation where the costs depend on the number of members we're working with. I also think it's the same for 10 versus 8 Trustees, although if the asset numbers were massively different we might look at this again (the actual asset numbers are only about 15 to 20% different). We actually assess it on time spent approximately on the two Schemes and the number of people we need and if that moves away from broadly 50/50, then we would and we have changed the charging structure. Our estimate at the moment is that we broadly spend equivalent amounts of time on our core functions for the two Schemes and therefore we charge equally. Historically we had a method of time charging, but this took a lot of time and effort, accounting time including employing people to do it etc. and the differences between the two Schemes we found were tiny and tended to go backwards and forwards year on year. So yes we review it a high level but we don't think it is worth the time, effort and extra cost of reviewing it at a more detailed level at present.

36. **John Waters**, Scheme member. You've outlined a period of great uncertainty and change in the Scheme. Looking forward, the future is in some doubt and our expectations have to be

geared accordingly. At this time of great change I would suggest there is a need for continuity amongst the management of the Scheme and I have a concern about the turnover of the post in Scheme Secretary. Dawn Shirley resigned on the 6th May 2011. Her success of Michael Furbank was only in the job for 22 months before he also resigned and was replaced by Jonathan Storer, who only was in the position for 9 months before vacating. The present occupier, Jon Heathfield, was appointed on the 1st April 2014 (some might say that is an auspicious date and another conclusion one could make is that they see this job as a bed of nails!) Can you give me any assurance that there will be a little bit more continuity in view of the need for it at this particular time?

37. **Geoff Mellor** – Dawn left us four years ago and Mike, who replaced Dawn as Scheme Secretary, had been with the organisation for over 12 years. Although Mike did move on a year later it wasn't a quick hire and fire job or anything of that nature. He had a long association with the Scheme and took on Scheme Secretary as well as his other roles in the organisation. Jonathan, who replaced Mike, actually left the Schemes as part of the transition of the Industry Wide schemes last year. Jonathan had a number of roles within the organisation, again just as Jon does now as Scheme Secretary which is a sizeable job but nothing like the whole part of his role. With Jonathan, probably 50 or 60% of his work was on the IW schemes and he left CPT when work for those left so there was good reason behind why the changes were made. Many people in the room will know Jon, as he has been with CPT since its inception and in the industry for many years before that, so again this individual is taking on an additional role within the organisation as opposed to going outside and bringing new people in. All the people we've talked about, with the exception of Dawn who was hired as a Scheme Secretary, have been with the organisation for a long time, so the lack of continuity within the organisation is perhaps not as a great as it would appear in the Report and Accounts. We always look at ourselves if an individual chooses to move on or if it doesn't work out and we are very self-critical in that situation.

38. **Christopher Pennell**, Scheme member – If the Scottish go independent, you seem to talk as if the Scheme formed in England under the English Law, then you would pay the people in Scotland as any other overseas recipients money from the Scheme. The Scheme is wrapped up with a whole series of obligations in Government and there are going to be a big negotiation at some stage between Scotland and her majesty's existing UK Government as to how some of the income stream and obligations are split up. I'm sure Alex Salmond won't be arguing for British Coal as much as he is for Scottish oil, but none-the-less there is an income stream there. There is £1.6 billion of Investment Reserve money to flow in to 2017 (post-independence), there's also a Guarantor responsibility - why should the UK Government still be Guarantor to Scottish citizens? I'm just wondering if there's more to think about here?

39. **Philip Read** – I think there are an awful lot of unknowns. But quite clearly the Scheme will continue to be a UK Scheme, based in Britain. The questions of who owns tax revenues, oil revenues, surpluses etc. will clearly have to be negotiated over time. A key thing from a member's perspective is that I just don't see how it will change the way that members get their benefits from the Scheme, other than that they may be taxed differently. If you have a pension and you live in South Africa for example, you end up paying whatever the tax is in South Africa. There may be a double tax agreement with Scotland, or there may not. That will have to be negotiated. But there will be no direct effect on the interests of the members in the BCSSS other than the effect on the net amount each member receives in his or her pocket after tax. That's beyond our control. And on the question on the Investment Reserve, if it came to be negotiated we will have to be sensible about it.

40. **Geoff Mellor** – There is a report which the Guarantor shared with us which is the Department of Energy's internal report within Government (when I say internal I don't think it's confidential, I think it's on the website). Hidden somewhere in the middle of that report is the impact of the Government's assets in the coal Schemes, so it is something that has been considered. You ask the question of Scotland's potential claim on that asset, so yes it is something on the Guarantor's radar - they've reported on but it is probably more an information gathering and fact finding report at this stage rather than what would happen in negotiation.

41. **Mr Ball**, Scheme member - Going on percentage rises etc. A 2% rise for somebody on £10,000 is a lot less that somebody on £20,000, is there something in the Rules to say you can't give a £5 rise across the board, like Mrs Thatcher did in the '70's? With all due respect, if a loaf of bread goes up 20p, it's goes up 20p for everybody.

42. **Philip Read** – I'm sure there are a number of different ways of dividing up a surplus but the sensible, practical way is to have the same increase to everybody. If you started doing different amounts for different socio-economic groups the whole debate changes completely and I think we would have a much more stormy AGM. I think the practical solution is having the same percentage increase for everybody, except as we have done in the past, when we have given more to deferred pensioners, deliberately, as I mentioned in my speech.

43. **Geoff Mellor** – The point you raised is a good one and the law requires the Trustees to consider all relevant factors. Deciding what is and is not a relevant factor can be quite difficult but I think it is one that the Trustees have previously considered and would continue to consider in future. Does it becomes a bigger point when there's a lot of money in the pot or when there isn't, I'm not sure? Back in 2006, I know things like that were considered and we have had a number of discussions on similar areas, maybe not flat rate, but on similar different ways of distributing what tends to be quite limited funds.

44. **Philip Read -** Thank you for your questions. I would now like to spend just a few moments bringing this Annual General Meeting to a close.

45. As we mentioned earlier in our presentations, increases to pensions at the rate of 2% of base pensions will be made in January 2015 and 2016. Although the longer-term outlook for new bonuses to be declared beyond 2016 looks bleak at this stage, the Scheme's Guarantee ensures that your aggregate pensions will never be reduced.

46. Times are very hard for all pension schemes in the current climate. Your safety net, the Guarantee, will be envied by many in this country. I would like to reassure you that we are working very hard (as I hope we have demonstrated today) to return the funding level of the Scheme back to a position where we can resume awarding new bonus increases to members at the earliest time possible.

47. 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.

48. I would like to thank all those at CPT, as well as the staff from Aon Hewitt, 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.

49. The AGM next year will be held in Scotland on 8 October 2015; details of the location and venue will be included in the next edition of Pensions News.

50. I expect that there will continue to be challenges for both the COM, and for Kate Barker, as the new Chair. I believe that the Scheme is well positioned to face the challenges in continuing to deliver the benefits that the Scheme provides for its members.

51. Finally I would like to thank you all for joining us here today for this year's AGM and for your support over the time I've been a Trustee. I really do feel privileged to have been involved with such a high quality pension Scheme and to have worked for the past nine years with such dedicated and professional people. I trust you will have a safe journey home.