

BRITISH COAL STAFF SUPERANNUATION SCHEME

Annual General Meeting

Liverpool

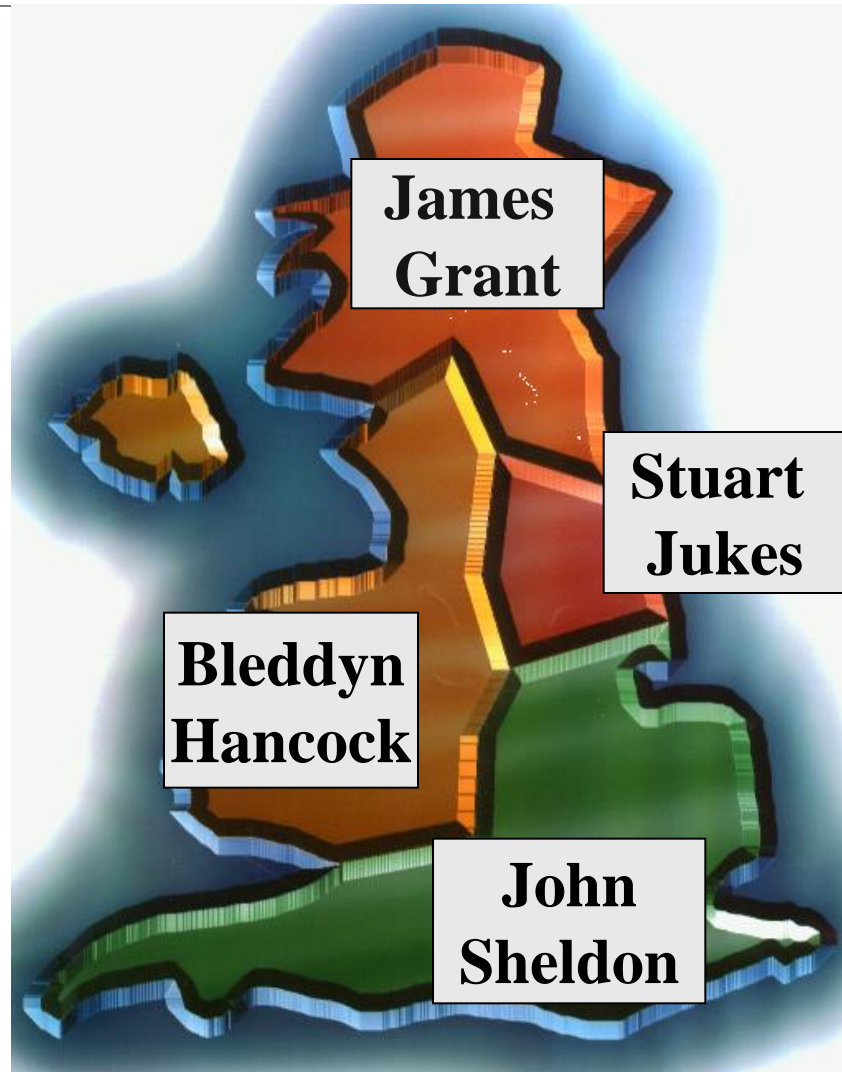
5 October 2017

Introduction

Dame Kate Barker

Chairman of the
Committee of Management

Pensioner Representatives



Appointed Members

Kate Barker

Chairman of the Committee of Management

Dick Barfield

Chair of the Investment Sub-committee

Alan Whalley

Chair of the Risk and Assurance Sub-committee

Jim Shearer

Chair of the Administration and Benefits Sub-committee
and the Discretions & Appeals Sub-committee

AGM Programme

- | | |
|--------------------------------------|------------------------|
| 1. Chairman's Report | Kate Barker |
| 2. Investment Strategy & Performance | Dick Barfield |
| 3. Key Financial Information | Jon Heathfield |
| 4. Written Question & Answers | Jon Heathfield |
| 5. Open Forum | Chaired by Kate Barker |
| 6. Chairman's Summary | Kate Barker |

The Scheme's 70th Anniversary

	No. Members	Annual Payroll £ m	Fund value £ m
1952	68,800	0.5	25
1987	104,500	248	5,060
1995	94,855	440	8,261
2007	78,331	635	11,996
2017	55,598	638	9,356

Administration Changes

- Capita Employee Benefits replaced Aon Hewitt as Scheme Administrator from 1 August 2017
- Capita Group – large and diverse organisation
 - Capita Employee Benefits one operating division who specialise in the administration of pensions and other
- Scheme administration to continue from Sheffield

Payslip changes

- Payslips provided 3 times a year & if pay changes +/- £5
- Can still access Payslips and P60s on the secure online website
- Doesn't impact on when payment is made into your bank account (last day of the month)
- Reconciliations to check payments are correct

Member Communications

- Refreshed the Scheme branding to further improve the look and feel of our member communications:
 - implemented a new website with more content, improved navigation and easier to read on mobile and tablet devices
 - carried the new branding through to Pension News to also improve the clarity and ease of reading

Review of Funding Objectives

- Review followed the changes to the Scheme structure in 2015:
 - no more new bonuses after 2019 but more certainty of future pension amounts and annual increases
- Benefits no longer depend on levels of surplus and deficit in the Scheme
- We currently pay benefits of £650m a year and we can project that we will have to pay £18bn in benefits into the future
- We have £9bn of assets so we still need strong asset growth
- We have to plan cash flows carefully - we don't want to sell assets when asset prices have fallen

ISC Chairman's Presentation

Dick Barfield

Appointed Trustee and
Chairman of the
Investment Sub-committee

Risk Management Framework

Strategic Asset Allocation

Investment Performance

Risk Management Framework

Development of new funding objectives with focus on:

- **Availability of cash to pay pensions and investment commitments;**
- **Continued growth of investment assets;**

Development of risk parameters around the new objectives;

Consideration of investment outcomes under different economic environments;

Ongoing monitoring by the Trustees with adjustments to the portfolio as appropriate.

Asset Allocation at 31 March 2017

	Actual %	Target %
Cash	4.8	0.0
Global Government Bonds	10.9	12.5
Global Multi-Asset Credit	5.0	5.0
Private Debt	11.1	13.5
Special Situations Debt	4.5	7.5
Public Equity	31.2	30.0
Private Equity	14.8	12.5
Property	12.5	13.0
Global Infrastructure	1.9	2.0
Global Macro	2.3	2.5
Shipping	<u>1.0</u>	<u>1.5</u>
Total	100.0	100.0

Asset Allocation Changes

	31 July 2017 Target %	31 March 2017 Target %
Cash	0.0	0.0
Global Government Bonds	12.5	12.5
Global Multi-Asset Credit	5.0	5.0
Global Investment Grade Credit	5.0	0.0
Private Debt	14.0	13.5
Special Situations Debt	7.5	7.5
Public Equity	24.0	30.0
Private Equity	10.0	12.5
Property	13.0	13.0
Global Infrastructure	0.0	2.0
UK Infrastructure	5.0	0.0
Global Macro	2.5	2.5
Shipping	<u>1.5</u>	<u>1.5</u>
Total	100.0	100.0

Annualised Return on Assets

	% p.a.
1 year	16.15
3 years	11.24
5 years	10.66

Investment Performance

The table below shows the Scheme Returns versus the Benchmark Returns

	Scheme Return %	Benchmark %
1 year	16.15	17.25
3 years	11.24	10.97
5 years	10.66	10.04



Jon Heathfield

Scheme Secretary

Fund Account & Net Assets

	£ million	£ million
Pensions & lump sums	(638)	
Administration Expenses	(6)	
Payments to Guarantor	-	
<i>Total expenditure</i>		<i>(644)</i>
Investment income less expenses	201	
Increase in market value of investments	1,152	
<i>Total return on investments</i>		<i>1,353</i>
<i>Net increase in the value of the Fund</i>		<i>709</i>
Net assets at 31 March 2016		8,647
Net assets at 31 March 2017		9,356

Scheme Expenses

	2017 £000	2016 £000
Investment Management Expenses	55,570	55,468
Pension Administration Expenses	4,263	3,268



AGM Written Questions and Answers

Questions - Mr CT Massey

Q1. I would like to compliment the Trustees for undertaking the benchmarking exercise to achieve the best financial deal, going forward, for the administration of the Scheme, which appears successful.

With the continual reduction of members in the Scheme, it will be essential to make further savings in the administration costs. What plans have the Trustees made to achieve this?

Q2. What actions have the Trustees taken to ensure that the return on investments is improved over the 2.73% achieved in the last financial year?

Questions - Mr AJ Batty

Q1. I gave my opinion on the 2015 Scheme changes at the Doncaster and Sheffield meetings. Such a big change should have been decided by the membership! After receiving news of a bonus of 3.5% from the MPS Scheme it seems to substantiate my position. Is there anything you can do?

Could you in future Pensions News editions give periodic reports on 'what is' or 'what could have been' positions.

Q2. One is also concerned about changing RPI to CPI that you could suddenly throw at us!

OPEN FORUM

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Looking Forward

- Refreshed communications
- Working hard to ensure the Scheme remains well funded
- Thank you for your questions and for attending today

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