

# **BRITISH COAL STAFF SUPERANNUATION SCHEME**

**Annual General Meeting**

**Durham**

**18 October 2018**

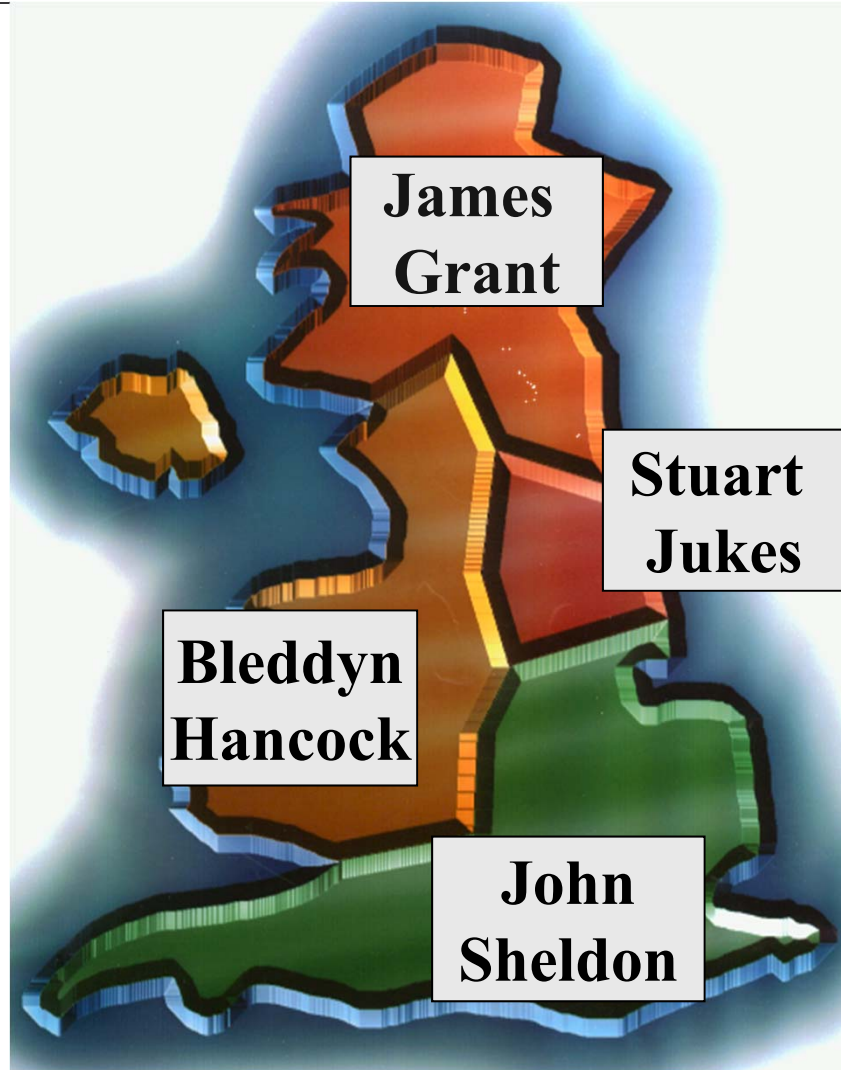
# Introduction

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**Dame Kate Barker**

Chairman of the  
Committee of Management

**Pensioner  
Representatives**



# Appointed Members

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**Kate Barker**

Chairman of the Committee of Management

**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

**Alan Rubenstein**

Chair of the Investment Sub-committee

# AGM Programme

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|--------------------------------------------|------------------------|
| 1. Chairman's Report                       | Kate Barker            |
| 2. Funding Update & Investment Performance | Geoff Mellor           |
| 3. Key Statistics                          | Jon Heathfield         |
| 4. Written Question & Answers              | Jon Heathfield         |
| 5. Open Forum                              | Chaired by Kate Barker |
| 6. Chairman's Summary                      | Kate Barker            |

# Funding Strategy & Objectives

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- Prior to 2015 Scheme restructure the focus was protection of member bonuses that could be lost over time;
  - Changes in 2015 protected level of bonuses and gave certainty over pension amounts and annual increases and triggered a strategy review;
  - Our primary objective is to pay all future benefits to members as they fall due without requiring funding from the Guarantor;
  - Scheme is very mature with benefit payments of over £600m p.a. that exceeds investment income so still need strong asset growth;
  - Targeting assets with high yield and good return prospects and more “illiquid” assets such as private debt, ships & UK infrastructure;
  - Strengthened internal investment team to assist with the managing the challenge of new investment areas.
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# Administration Changes

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- Capita Employee Benefits (“CEB”) replaced Aon Hewitt as Scheme Administrator from 1 August 2017. The transition went very smoothly;
- Capita Group is a large and diverse UK outsourcing company;
  - Undergoing a well publicised major transformation programme to strengthen its balance sheet and re-focusing on a smaller number of core business areas;
  - Capita Employee Benefits (“CEB”) is one of the core businesses of the Group and specialises in the administration of pensions;
  - Services some of the largest public and private pension schemes in the UK;
  - Committed to this business and making new investments in people and technology to further improve member services.
- Trustees closely monitor progress and regular updates from CEB.

# Other Changes

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## Member Communication Improvements

- 2017 new website launched
  - more content, improved navigation, easier to read on mobile and tablet devices.
- Pension News
  - New branding, improve the clarity and ease of reading.

## New Data Protection Regulations (“GDPR”)

- Scheme’s data protection and privacy policies and procedures updated;
- Ensuring Scheme’s third parties compliant with new legislation.

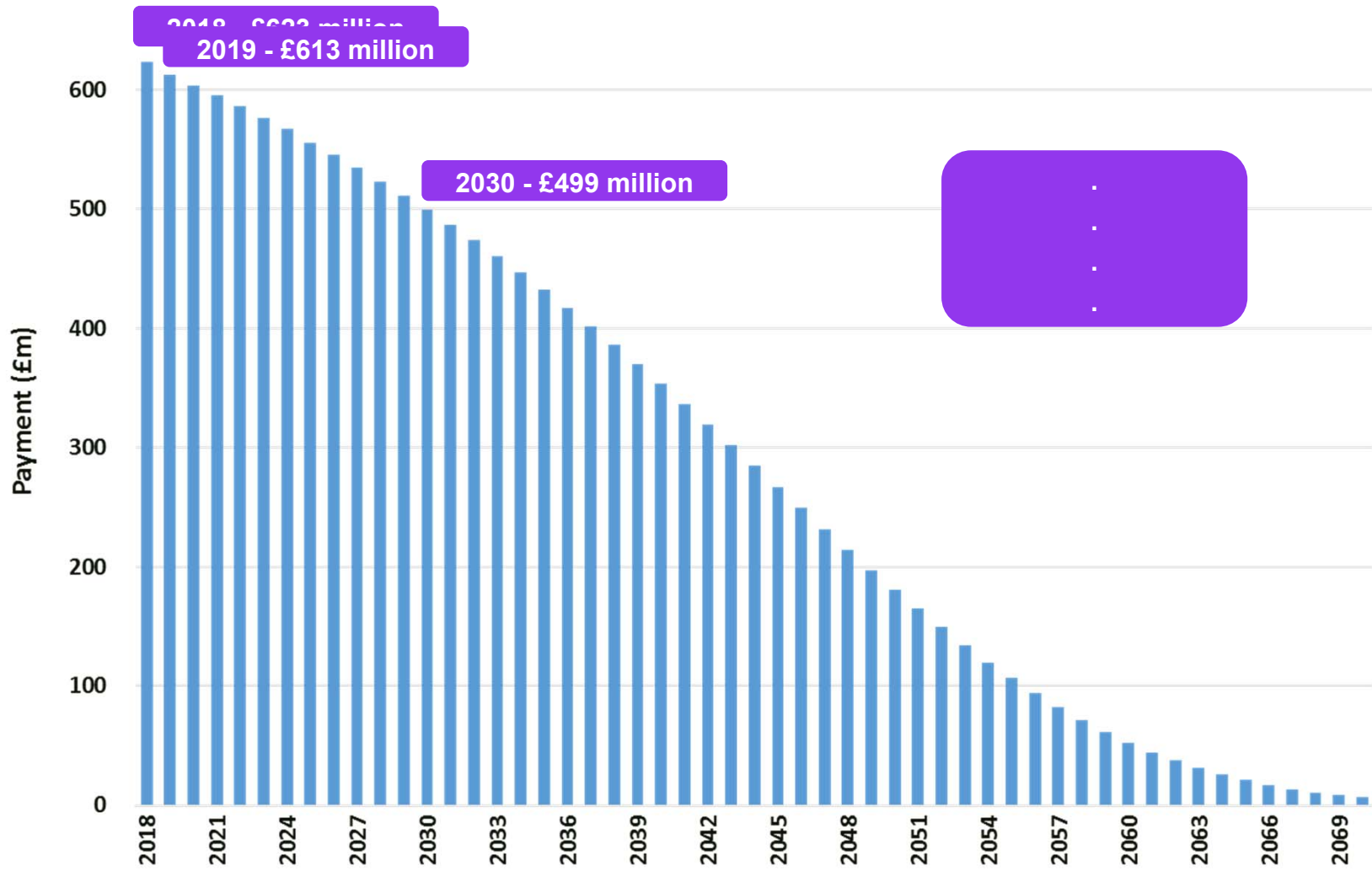




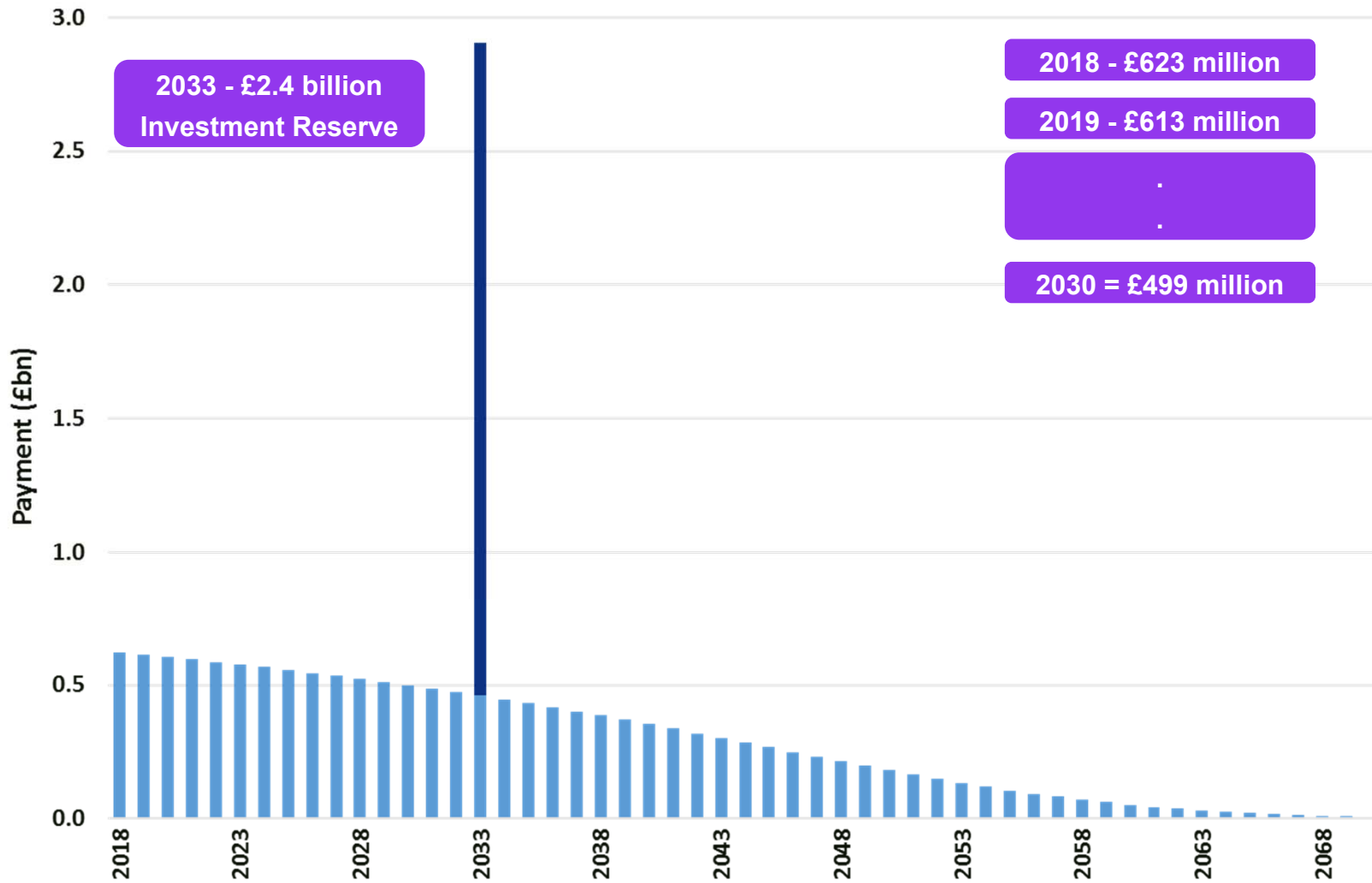
**Geoff Mellor**

Co-CEO CPT

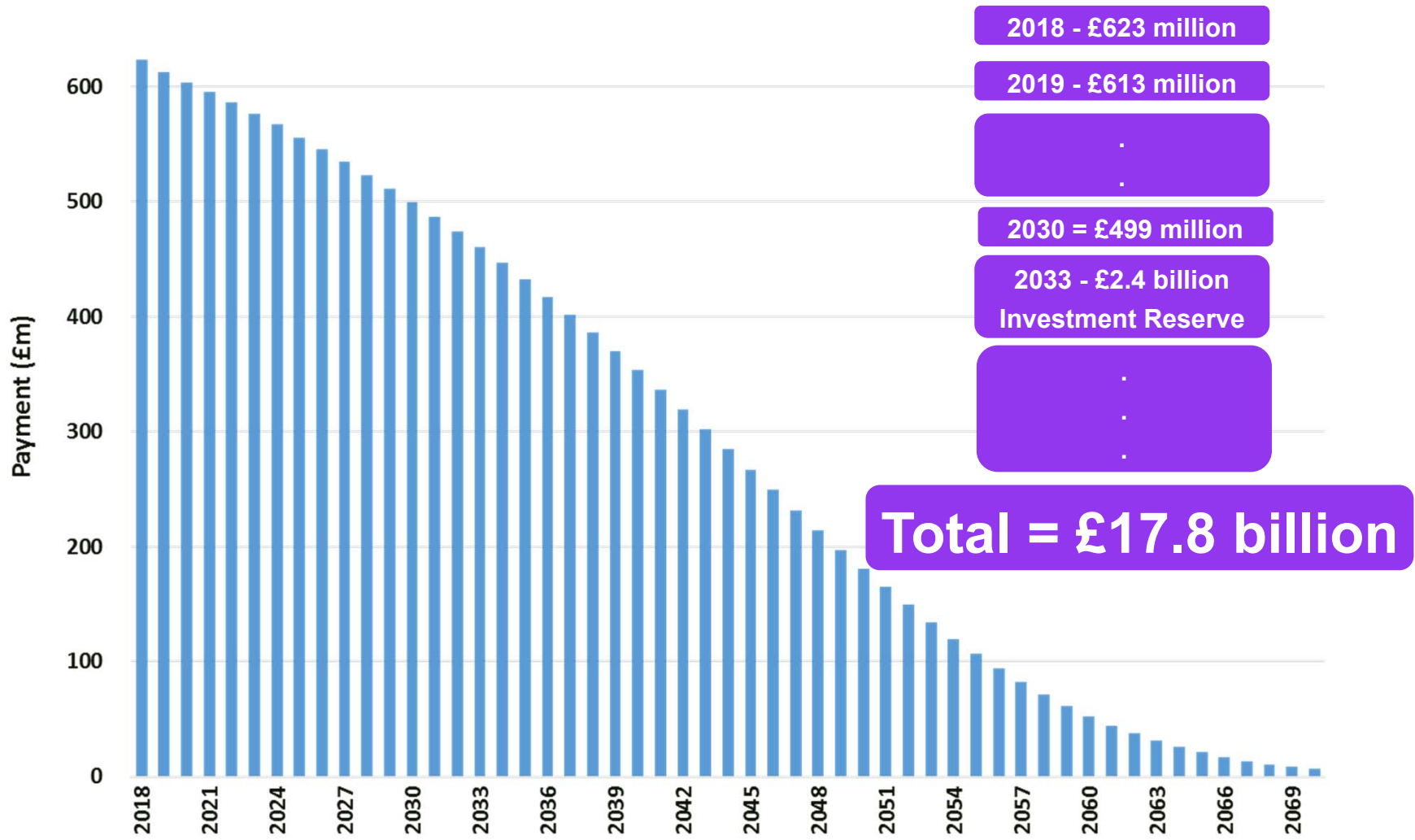
# Future Scheme Payments



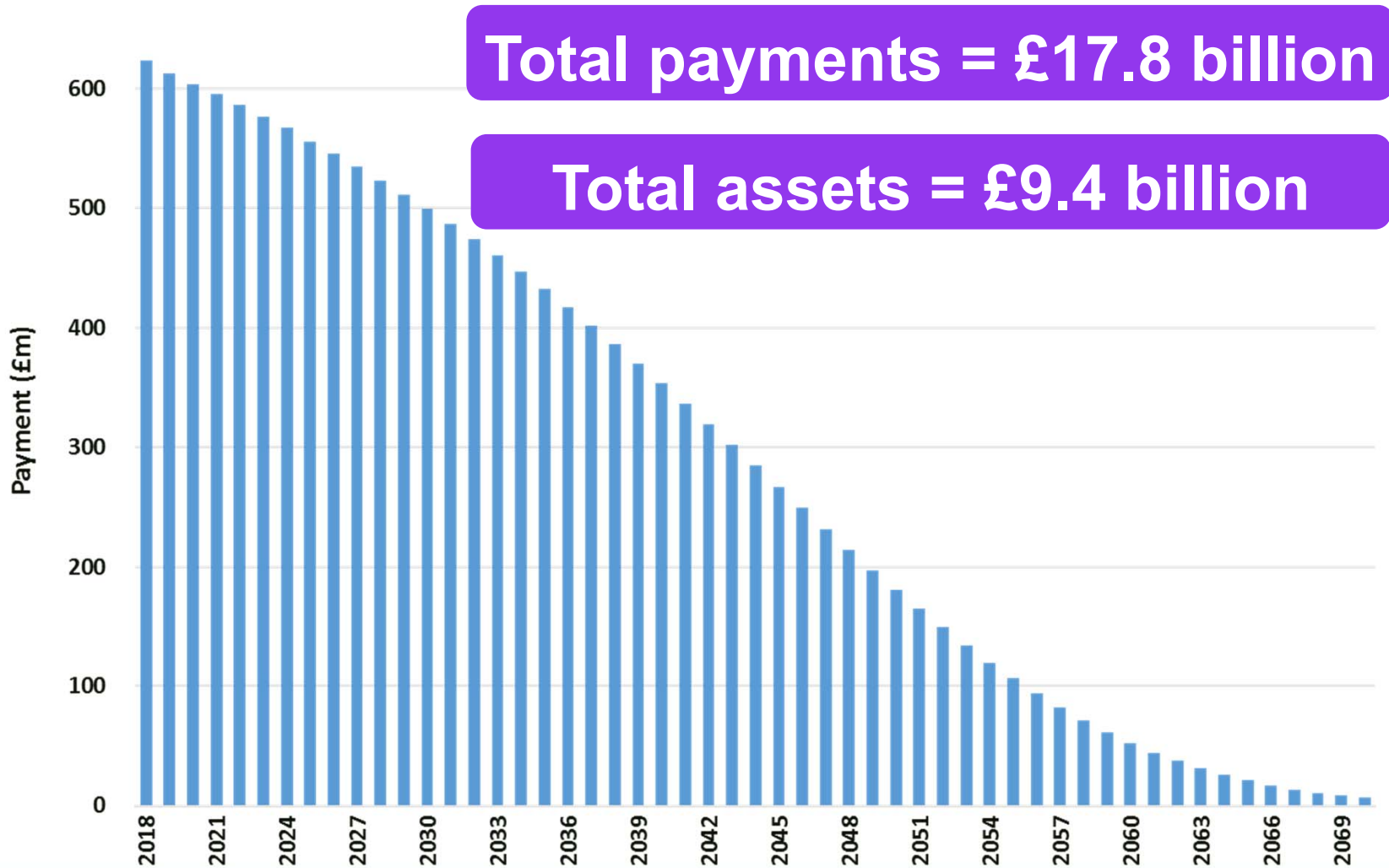
# Future Scheme Payments



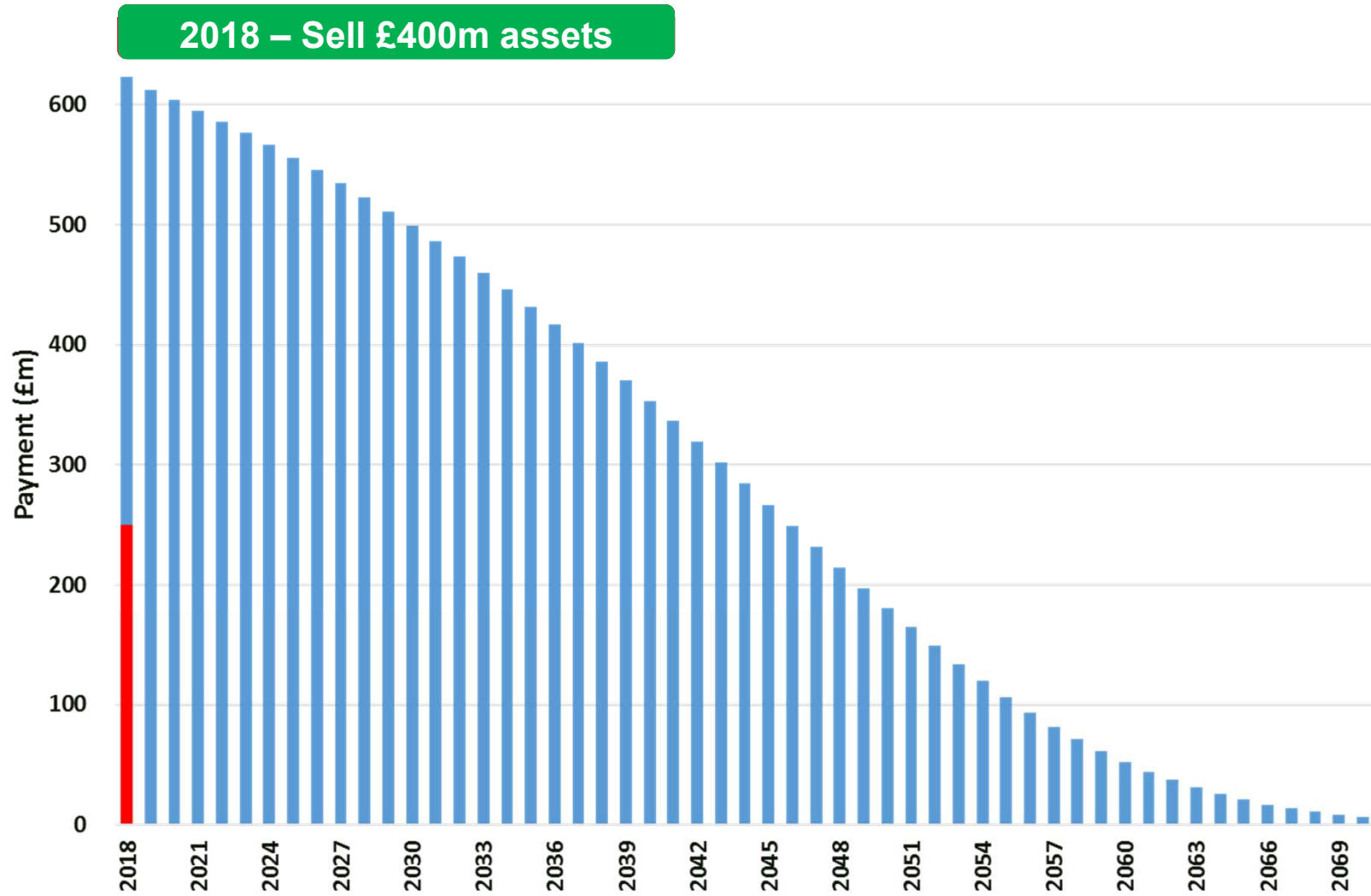
# Future Scheme Payments



# Future Scheme Payments



# Future Scheme Payments



## Investment Income

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	2018
	£m
Dividends from equities	29
Income from fixed income securities	130
Property rents	51
Income from pooled investment vehicles	14
Income from shipping	20
Other	<u>7</u>
Total	251

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## Asset Allocation

	Actual %	£m
Cash	6.3	590
Government bonds and credit	22.5	2,108
Private credit	15.4	1,442
Public equity	24.8	2,323
Private equity	13.1	1,227
Property and infrastructure	14.1	1,321
Global macro	2.4	225
Shipping	1.4	131
Total	<u>100.0</u>	<u>9,367</u>



## Annualised Returns and Performance

	<b>Scheme Return</b>	<b>Benchmark</b>
	<b>%</b>	<b>%</b>
1 Year	7.22	5.37
3 Years	8.56	7.59
5 Years	9.52	8.67

**Environmental** - climate, pollution, scarce resources

**Social** - health, education, human rights

**Governance** – responsible business, levels of senior management pay, shareholder rights

*A trustee's fiduciary duty is to act in the best financial interests of members*

What we do:

- Use of Hermes EOS for engagement, voting and policy consultations.
- Incorporation in manager/fund due diligence of ESG factors.
- UK renewable energy infrastructure investments.
- Flood risk assessments in the property portfolio.



**Jon Heathfield**

Scheme Secretary

## Key Statistics for 2018

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Total number of pensioner members	49,684
Total number of deferred members	3,280
Total benefits paid and transfers out	£624m
Net increase in the Fund during the year	£11m
Net assets of the Scheme at the year-end	£9,367m

## Fund Account

	<b>£ million</b>	<b>£ million</b>
Pensions & lump sums	(624)	
Administration Expenses	(5)	
<i>Total expenditure</i>		<i>(629)</i>
Investment income	251	
Investment management expenses	(32)	
Increase in market value of investments	421	
<i>Total return on investments</i>		<i><u>640</u></i>
<b><i>Net increase in the value of the Fund</i></b>		<b><i>11</i></b>
Net assets at 31 March 2017		9,356
Net assets at 31 March 2018		9,367



## **AGM Written Questions and Answers**

## Questions - Mr T Holding

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My friend is a member of the Mineworkers Pension Scheme and he has recently received a letter regarding his future benefits.

In particular, the MPS are advising their members that future annual increases to pensions in payment will be 4.2%, guaranteed for at least the next 6 years and possibly beyond.

If both the BCSSS and the MPS are fundamentally operated under the same umbrella, why is it that BCSSS members are receiving only a 2% annual increase to their pensions in payment, whilst MPS members are receiving more than twice this annual increase?

An explanation of this disparity would be appreciated.

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## Questions - Mr JWW Morley

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1 - I know that we are in standstill at present and I believe that the scheme has paid back some £500 million last year but I am not sure if we have completed the total debt of £1.2 billion we owe which was due to the deficit which initiated “Standstill.”

2 - From 2020 our scheme will only increase by the relevant RPI of September 2020, so I would like to know from the trustees if there is any way that they could discuss with the government to see if our scheme could have the same arrangement as we have had for the past 6 years, i.e. 2% increase on our basic level bonus starting in January 2020 in addition to the RPI of the day.

3 - Could the trustees look at getting the remaining bonuses after 2019 to be included into our pension and therefore receive RPI which would probably be as good as 2% increases, and help all member's on lower pensions to enjoy a better retirement.



# **OPEN FORUM**

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# Looking Forward

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- Working hard to ensure the Scheme remains well funded
- Significant change to benefits administration
- Improvements to member communications
- Thank you for your questions and for attending today

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