

BCSSS

pensions news
For members of the British Coal Staff Superannuation Scheme

Summer 2013

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BCSSS

The 2012 Actuarial Valuation

The Scheme's Actuary has concluded his three-yearly actuarial valuation of the Scheme as at 31 March 2012.

Throughout the valuation, the Trustees have worked with the Actuary and the Guarantor to find the best possible outcome for members. As a result, **you will see your pension increase** in each of January 2014, 2015 and 2016. The amount of the increase each year will be equal to 2% of benefits paid from the Guaranteed Fund.

The additional information below sets out the detail of what was determined and what it means for members.

Valuation overview

As we anticipated in the last edition of Pensions News, there are insufficient assets available at this valuation to repay the Investment Reserve. In fact, there was an additional shortfall of £239m (including £2m towards the future costs of running the Scheme) in the Guaranteed Fund, which is the sub-fund which contains members' pension at privatisation, increased with inflation. This had to be met by the transfer of £239m into the Guaranteed Fund; £130m from the Investment Reserve and £54.5m each from the Bonus Augmentation Fund (the sub-fund used to pay bonus pensions) and the Guarantor's Fund (the sub-fund containing the Guarantor's share of surpluses since privatisation).

As a result of that transfer of £54.5m, there is a deficit in the Bonus Augmentation Fund and so your level bonuses become subject to the 'standstill' provisions of the Scheme. Standstill means that these level bonuses are converted to reducing bonuses. This is the same as happened to your level bonuses following the 2009 actuarial valuation of the Scheme. This is important for this valuation because it means that, technically, lower reserves are required for future payments from the Bonus Augmentation Fund. The reserves which have been freed up can then be applied to pay for the pension increases of 2%. These increases, which are effective on the first day of January 2014, 2015 and 2016, will be applied to all your benefits paid from the Guaranteed Fund.*

The Trustees have also been able to maintain the existing enhanced early retirement terms. These offer significant benefit to those members who have yet to retire but do not have the right to an unreduced pension from the age of 50.

In their work with the Actuary and the Guarantor to secure the best benefit outcome for members, outlined above, the Trustees considered carefully the provisions in the Scheme and Rules that would normally have required the Guarantor to pay additional funds into the Guarantor's Fund. There were sufficient assets already in this fund to make the necessary £54.5m transfer to the Guaranteed Fund and any additional funds paid in would have been of no immediate benefit to the members. Owing to the particular circumstances of this valuation, therefore, and having taken legal advice, the Trustees have agreed to waive the requirement for the Guarantor to top-up the Guarantor's Fund at this valuation, making it clear that this decision will not set a precedent for the future.

Looking forward

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 firstly have to be used to repay the borrowing made from the Investment Reserve (currently about £1,584m), together with investment returns earned on that amount. Only after that amount has been repaid in full could surpluses be transferred to the Bonus Augmentation Fund to provide new bonuses. Consequently, it is difficult for the Trustees to see how they will be able to pay any overall pension increases in 2017, 2018 and 2019. So, despite the better than expected short-term outcome for members, the funding problems have not gone away and the outlook beyond the next valuation remains poor. The Trustees are continuing to monitor the situation and to consider any options there may be to improve the position.



* Please note that members with GMP-only, bonus-only or EPB-only entitlements will not receive these bonuses.

Valuation Results

As indicated above, under the Scheme Rules, the BCSSS is notionally split into sub-funds reflecting the operation of the Guarantee from the Guarantor. The detailed results of the Actuary's valuation of each sub-fund are shown in the valuation report. In summary, following the transfers to the Guaranteed Fund from the Investment Reserve, the Bonus Augmentation Fund and the Guarantor's Fund, and the conversion of level bonuses to reducing bonuses, the funding position of the Scheme is as follows:

Sub-fund	Assets	Liabilities	Surplus/(Deficit)
Guaranteed Fund	£7,703m	£7,703m	-
Bonus Augmentation Fund	£893m	£604m	£289m
Guarantor's Fund	£139m	£163m	(£24m)
Investment Reserve	£20m	-	-

The surplus of £289m in the Bonus Augmentation Fund will be used to fund the 2% per annum pension increases in January 2014, 2015 and 2016. As a result of the deficit in the Guarantor's Fund the annual payments to the Guarantor over the next three years will reduce from £47m to £37m.

How do I find out more information?

The Trustees will continue to keep you updated of any future developments in editions of Pensions News. If you want more information at this stage, please feel free to call the Administration Office. Their details are on the back of Pensions News.

If your pension is in payment, in January 2014, you will receive a payslip showing the amount of pension increase payable.

An example illustration of a payslip, clarifying how the 2014 increase will be shown, will be included in the December 2013 edition of Pensions News.

Report and Accounts

In the last edition of Pension News we summarised the Scheme Accounts and the Trustees' Investment Report from the Report and Accounts for the year to 31 March 2012. The Report and Accounts for the year to 31 March 2013 are currently being finalised. They will be received at the AGM in September. A summary of the Scheme Accounts and the Trustees' Investment Report as at 31 March 2013 will be provided in the winter 2013 edition of BCSSS News.



Pension Paydays for 2013

30 August 2013 29 November 2013
30 September 2013 20 December 2013
31 October 2013

2013 Annual General Meeting

Notice of Meeting:

Notice is hereby given that the Sixty-Sixth Annual General Meeting of the Scheme will be held in

The Angel Hotel

Castle Street, Cardiff CF10 1SZ
on Tuesday 24 September 2013 at 2.00pm

Business:

To receive the Report and Accounts for the year to 31 March 2013 and to debate and vote on any member resolutions. Resolutions to be received no later than 9 September 2013. The meeting is open to pensioners and deferred pensioners, the Committee and its guests.

**By Order of the
Committee of Management**

This year's Annual General Meeting (AGM) of members is being held in Cardiff. The AGM is your opportunity to find out more about how the Scheme is run.

- You will hear reports from the Scheme Chairman, Philip Read, the Chairman of the Investment Sub-committee, Dick Barfield and from Scheme staff.
- You will have the opportunity to ask questions and to meet Trustees and staff informally before and after the main business of the meeting.

The date:

Tuesday 24 September 2013, from 1.00pm, formal business starting at 2.00pm

The venue:

The Angel Hotel, Castle Street, Cardiff CF10 1SZ

The meeting is open to pensioners, deferred pensioners, the Committee and its guests. Scheme advisers and officials also attend. A sandwich lunch will be available from 1pm.

The responsibility for running the Scheme rests with the Committee. Whilst member resolutions can be submitted to the AGM for debate and Scheme pensioners, deferred pensioners and members of the Committee can vote, resolutions do not have any power conferred upon them.

Nevertheless, the Committee listens closely to members' views and this is one way of making sure they are aware of an issue. General meeting resolutions cannot give instructions to the Committee to do things. The position is very similar to that for companies' annual general meetings.

Company boards cannot be told what to do – so resolutions usually support the board or are critical of the board – or they express the hope that something will happen. Questions can be asked from the floor but it helps to have them in advance. It would be inappropriate for questions about an individual's benefits to be dealt with at the open meeting, so only questions about Trustee policy or Scheme management will be taken at the AGM.

To obtain your ticket for the AGM please write to the Scheme Secretary at the address on the back page of this newsletter. If you have a question that you would like answering at the AGM, then please include it with your ticket request to arrive no later than 9 September.

Pensioner Representative Trustee Election, Summer 2013

A ballot will be held in the summer for the election of a Pensioner Representative trustee in the Scotland and the North East England constituency. The current Pensioner Representative trustee for this constituency is Mr Allen Clark who has indicated that he will be standing for re-election.

Standing for election

Letters inviting members to request a nomination pack if they were interested in standing for election were sent to members resident in the constituency in early June. The closing date for the receipt of completed nominations was 2 August 2013.

The election

The successful candidate will be elected by simple majority in a postal ballot that will take place in late August and September 2013.

The results

The ballot will close at noon on 16 September and the results should be declared in time to be announced at the Annual General Meeting on 24 September. The successful candidate will take office from 1 October 2013 for a period of four years. Details of the results will also be publicised in the next edition of Pension News.

A warning for our deferred pensioners

If your pension is not yet in payment, you might have received an approach from companies who claim to be able to allow you 'early' access to your pension. You may even have seen TV and press adverts targeting members who have yet to draw benefits. These schemes, often referred to as 'pensions liberation' arrangements, generally offer deferred members a transfer of benefits and immediate payment of a cash lump sum.

The lump sums are, however, only paid after a large commission, perhaps 20% or 30% of your savings, has been taken. These transfers are not acceptable to the authorities, and HMRC may well apply a heavy tax charge.

If you are approached by a company who is offering to transfer your pension and pay you a large lump sum, you should be cautious. Some of the plans are illegal. Remember

that the BCSSS benefits to which you are entitled can now be taken after age 50. If you want to start receiving your benefits early, you can ask the BCSSS administration office for further information.

You may be best advised to seek independent financial advice if you are considering a transfer.

The Pensions Regulator has published a booklet about these early access schemes, telling you what to look out for, which you can download from their website.

www.pensionsadvisoryservice.org.uk/media/826600/members_leaflet.pdf

If you do take a transfer, please remember that once you leave the BCSSS, you will not be able to return, even if you find you have made a mistake.

2013 Benefit Statements

The annual Benefit Statements for deferred members would normally be issued during July. This year, there will be a slight delay in issuing the Statements, in order to allow us to reflect the valuation results.



Family Benefits

Each year we have a number of cases referred to the Discretions and Appeals Sub-committee where unmarried members have died and where a claim for Adult Dependant's pension is made. Any award of benefits is at the discretion of the Sub-committee. The normal process is that a visit to the claimant is made by a representative of the Coal Industry Social Welfare Organisation (CISWO) to gather evidence of the relationship and financial dependency. It is always helpful if the administration office already has information on file and unmarried members who have an adult dependant are encouraged to write to the administration office setting out the nature of their relationship and any other factors they might wish to be considered in respect of their pension.

Deferred pensioners and pensioners in the first five years of retirement may also want to consider making an election in case any death benefit lump sum becomes payable. The election allows the payment of any death benefit lump sum at the discretion of the Trustees. This takes any death benefit lump sum out of the member's estate and the assessment for Inheritance Tax and can also speed up the payment of the lump sum.

Once the election is made, payment is made to the people that the Trustees decide should receive it. To help the Trustees reach a decision members are asked to complete a nomination form telling the Trustees to whom they would like the benefit to be paid. The Trustees are not bound to follow the member's wishes although they would usually be able to do so. Members' circumstances do change over time and you do need to think about keeping your nomination up to date, especially if you have had a significant life event after completing your last nomination form – for example, a marriage, divorce, death amongst your nominated beneficiaries or birth of a new potential dependant.

These nominations apply only to cash sums payable on a member's death, not to any pension that may become payable to a surviving spouse or other dependant. There are no cash sums payable on the death of the spouse or other dependant.

If you would like more information, you can download a form from the Scheme's website, or you can contact the administration office who will send a form to you.

Get in touch – we're here to help

For more information about the Scheme visit the Scheme website at:

www.bcsss-pension.org.uk



What is your question about?

Payment of your pension or entitlement to benefits

The deduction of tax from your pension

Telephone:

Surname A-J
0845 609 0012
(UK local no.)

(+44) 114 203 4613
(Abroad standard charge no.)

OR

Write: The Administration Office, BCSSS, 5th Floor,
The Fountain Precinct, Balm Green, Sheffield S1 2JA

OR

E-mail: bcsss.enquiries@aonconsulting.co.uk

Remember to quote your National Insurance/Scheme Number

Surname K-Z
0845 609 0013
(UK local no.)

(+44) 114 203 4629
(Abroad standard charge no.)

Telephone:
0845 300 0627

OR

Write:

**HM Revenue and
Customs Enquiry Centre
Merseyside Tax District
Regian House
James Street
Liverpool L75 1AA**

Remember to quote your
National Insurance Number
and Reference 428/NCBP

A question on Trustee policy or the level of service provided by the Scheme.

Write:

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

OR

E-mail: bcsss.enquiries@coal-pension.org.uk

You can also log in to our alternative website, www.mypensionline.com/BCSSS using your login ID, to check the personal details we hold for you, contact the administration team online, and much more.

Have we got the right address for you?

It is important that we know how to contact you. Remember to notify the administration office if you move house. If you know of any former colleagues who have moved recently, why not remind them to give the administration office their new address.

BCSSS Pensions News is also available on CD, please contact the Scheme Secretary if you wish to receive a copy on CD.

