

A scenic landscape photograph showing a dirt path leading through a green field on the left and a yellow field on the right, with a single tree in the distance under a blue sky with white clouds.

BCSSS

pensions news

For members of the British Coal Staff Superannuation Scheme

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2007 Annual General Meeting

Notice of Meeting:

Notice is hereby given that the **Sixtieth Annual General Meeting** of the Scheme will be held in **The Holland House Hotel**,
24-26 Newport Road, Cardiff NE3 5HN
on **Thursday 27 September 2007** at **2.00pm**

Business:

To receive the **Report and Accounts** for the year to 31 March 2007
and to debate and vote on any member resolutions.

Resolutions to be received no later than **20 September 2007**.

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, 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: Thursday 27 September 2007, from 1.30pm, formal business starting at 2.00pm

The venue: The Holland House Hotel, 24-26 Newport Road, Cardiff

The meeting is open to pensioners, deferred pensioners, the Committee and its guests. Scheme advisers and officials also attend. 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. Of course, the Committee is keen to hear the members' views and we will take note of those views where appropriate.

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 14 September.

Committee Appointments



Sheila Gleig



Philip Read



Nick Watts

Sheila Gleig's term of office as both a member of the Committee of Management and Chairman came to an end on 30 April 2007. Sheila joined the Committee in 1994 and became Chair when Sir Norman Siddall retired in April 1995. The Committee would like to put on record its deep appreciation of the work carried out by Sheila during the period of her appointment to, and Chairmanship of, the Committee of Management. We wish her a long and happy retirement.

Her replacement as Chairman is Philip Read, who was appointed to the Committee in September 2005.

Nick Watts joined the Committee from 1 May 2007 and has been appointed, with the approval of the Guarantor, as Chairman of the Investment Sub-committee. Nick was formerly Head of Investment Practice at Watson Wyatt and is a trustee board member of two large corporate UK pension funds one of which is sponsored by a FTSE 100 Company.

He is also a non-executive director of Legal & General Investment Management and a member of the FTSE Policy Committee.

Pensioner Representative Elections 2008

Elections are due to be held in spring 2008 for the election of Pensioner Representatives in two of the four BCSSS constituencies: the Yorkshire and North Lincolnshire constituency and the East Midlands, Southern England & Overseas constituency. The current Pensioner Representatives for these constituencies are Stuart Jukes and Bob Chappell. Both are eligible to stand for re-election if they wish.

Standing for election

We will write out to all members eligible to participate in the elections in December 2007, inviting them to request a candidate's information pack if they are interested in standing for election. The pack will give full details of the responsibilities and duties of a trustee and the election process.

The election

The successful candidate in each constituency will be elected by simple majority in a postal ballot that will take place in March 2008. Each candidate will have the opportunity to provide a 'candidate's statement' for inclusion with the ballot papers. The successful

candidates will take up office from 1 April 2008. Under the transitional arrangements to achieve annual elections in each constituency in turn, the term of office for the Yorkshire and North Lincolnshire constituency will be 3½ years and for the East Midlands, Southern England and Overseas constituency it will be 2½ years.

A further election for a Pensioner Representative will be held in the North West England, West Midlands and Wales constituency in the autumn of 2008, when Bleddyn Hancock's term of office comes to an end. Further details of that election will be given in the next edition of Pensions News.

2006 Actuarial Valuation

Introduction

The previous edition of Pensions News set out the results of the Scheme's actuarial valuation as at 31 March 2006, and provided details of benefit improvements to be awarded from the Bonus Augmentation Fund. Now that the valuation is complete, we can update you on the implementation of the benefit improvements and confirm the payments to be made to the Guarantor from the Guarantor's Fund and Investment Reserve. As a reminder, the results of the valuation are set out below. The amounts shown are the actuarial values* unless otherwise stated.



Valuation Results

Sub-fund	Value of Assets	Liabilities	Surplus
Guaranteed Fund	£8,207m	£7,349m	£858m
Bonus Augmentation Fund	£1,208m	£767m	£441m
Guarantor's Fund	£464m	£249m	£215m

*The Actuary values the Scheme's assets by estimating the future income and capital proceeds that those assets will provide. This gives 'actuarial values' of assets which may differ from the market value at any point in time. Using actuarial values of assets tends to lead to fewer big movements in asset values and, most importantly, this method of valuing assets is consistent with the method used to value the Scheme's liabilities. As at the valuation date, the market value of the Scheme's assets was £11,897m, compared to an actuarial value of £11,266m.

The Investment Reserve is the balance of British Coal's share of surplus from valuations before 1994. This money is available as first call to meet any deficiency in the Guaranteed Fund. It has no quantifiable liabilities so is not subject to an actuarial valuation. You will recall that the shortfall in the Guaranteed Fund at the 2003 valuation was met by a transfer from the Investment Reserve and that the first call on the 2006 surplus in the Guaranteed Fund must be to restore the Investment Reserve to the position it would have been in had the transfer not taken place. As a result, £364m (£395m at market value) of the surplus in the Guaranteed Fund was duly transferred to the Investment Reserve. Following this repayment, the market value of the Investment Reserve was £1,565m.

After rebuilding the Investment Reserve, the remaining surplus of £494m in the Guaranteed Fund was divided equally between the Bonus Augmentation Fund and Guarantor's Fund. This meant that the surplus in the Bonus Augmentation Fund increased to £688m and the surplus in the Guarantor's Fund increased to £462m.

Benefits Improvements

The surplus of £688m in the Bonus Augmentation Fund was used to grant benefit improvements as follows:

- The effect of 'Standstill' from the 2003 Valuation is deferred for a further three years ensuring that replacement level bonuses will continue to be awarded up to and including 2010.
- Members with a pension in payment as at 1 April 2007 were granted an additional level bonus of 5.5% of guaranteed pension with effect from 1 April 2007. The first additional level bonus payment was made with April's pension. Any levelling option addition or deduction is disregarded for the purposes of calculating the 5.5% bonus.
- Members with deferred benefits as at 1 April 2007 were granted an additional level bonus of 10.5% of guaranteed benefits (excluding Equivalent Pension Benefits (EPBs)), with effect from 1 April 2007. An EPB is a benefit to which certain members are entitled as a result of having been contracted out of the former State graduated pension scheme between 1961 and 1975. The graduated pension scheme was the predecessor to the State Earnings Related Pension Scheme (SERPS). The effect of 'Standstill' from the 2003 valuation had a bigger financial effect on deferred pensioners and as a consequence, the additional level bonus granted in April 2007 to deferred pensioners was higher than that awarded to pensioners. Benefit statements are normally issued in May each year; however, these will be delayed this year until the end of July to allow for inclusion of the new bonus.
- An amount of £1m has been allocated to the Discretionary Fund to allow the Committee to continue to award benefits on a discretionary basis in cases of hardship where benefits are not normally payable under Scheme Rules.

Payments to the Guarantor

The Guarantor's Fund holds the Guarantor's shares of the three pre-2003 valuation surpluses, each of which is earmarked for payment to the Guarantor in annual instalments over ten years. The annual payments resulting from the 1995 valuation surplus came to an end in 2006 so only two series of annual payments were being paid to the Guarantor prior to the 2006 valuation. These were £55m in respect of the 1997 valuation surplus and £57m in respect of the 2000 valuation surplus.

The surplus of £215m in the Guarantor's Fund was used to increase these annual payments to £102m and £106m respectively, both with effect from 31 March 2007. The £102m payment was a once only payment as the 1997 series of payments came to an end on 31 March 2007. The surplus of £247m transferred from the Guaranteed Fund was used to create a new 10-year series of annual payments of £34m a year with effect from 31 March 2007.

The Scheme Rules require the Scheme's Actuary to determine at each valuation the amount of money that can be paid to the Guarantor from the Investment Reserve. On this occasion, the Actuary has determined that there should be a payment to the Guarantor of up to £300m over the period until the next valuation. £10m was paid to the Guarantor on 31 March 2007 and the remaining £290m will be released over three broadly equal annual payments, commencing on 31 March 2008.



2006 Actuarial Valuation continued

2009 Valuation

The next valuation of the Scheme is due as at 31 March 2009 and is expected to be completed by March 2010.

It is important to note that bonuses are dependent on future valuation results. In 2003 when the valuation revealed a deficit in both the Guaranteed Fund and the Bonus Augmentation Fund it was necessary to convert pre-2003 bonuses from flat rate bonuses to reducing bonuses. These now form the 'reducing bonus' for current pensioners. If a future valuation reveals deficits in the Bonus Augmentation Fund the level bonus in payment at that time, including the new 2007 level bonus, will also convert into a reducing bonus. However, members can be assured that the total amount of pension will not reduce in cash terms.

A detailed explanation of how the annual pension increase and bonuses are paid will be included in the next edition of Pensions News.

Changes at Coal Pension Trustees



David Morgan



Geoff Mellor

David Morgan retired in July 2007 as Chief Executive of Coal Pension Trustees Services Ltd (CPT) – the company that acts as the executive arm of the trustees. David, a qualified actuary, joined CPT in 1998 and has overseen significant changes in both CPT's organisation and the Scheme's investment strategy. Our best wishes go to David for a long and enjoyable retirement.

David's replacement is Geoff Mellor. Like David, Geoff is an actuary and was formerly the Pensions Director at Whitbread. One of Geoff's early tasks will be implementing the outcome of the 2007 investment strategy review.

Reinstatements to the Scheme

In 1994 the Securities and Investment Board (SIB) ordered financial service firms to carry out a review to identify those people who had been misold personal pensions and ruled that those policyholders who were found to have been financially disadvantaged should, wherever possible, be put back into a position equivalent to the one they were in before they took out a personal pension. The review should have been completed by 30 June 2002.

Requests from policyholders for reinstatement to the Scheme have previously been allowed on the condition that the full cost of reinstatement is met by reviewing firms. Given the time that has elapsed since the SIB review deadline of 2002, the Committee agreed that requests for reinstatement into the Scheme received after 31 December 2007 will be refused. The Scheme will, however, continue to provide the cost of reinstatement, where requested, to

enable reviewing firms to compensate policyholders, but this will be on the condition that the cost of providing the information is met by the reviewing firm. If you know of anyone who may be affected by the closure of the reinstatement option, it would be helpful if you could make them aware of this change.

Electronic Data Matching Exercise

The BCSSS checks that pensioners are still entitled to benefits on an annual basis to ensure that no one receives benefits from the Scheme to which they are not entitled, thus securing funds for the rightful beneficiaries.

Historically this was done by issuing paper certificates of continued entitlement, which required the pensioner to confirm that they were still eligible to receive benefits, and requiring their signature witnessed independently. We still do this for pensioners resident overseas.

From 2003 the Scheme changed the way these annual checks are done, and instead pensioner records were matched against the death registers of England, Scotland and Wales. Where members are found to have died but the Scheme has not been notified, pensions are stopped and any overpayment of pension is recovered from the member's estate or next of kin.

The majority of the overpayments are due to genuine oversights, where the next of kin does not know about

the BCSSS pension or has not got in touch with the administration office promptly. Unfortunately there have been instances where the pension has been fraudulently taken from the Scheme, in these cases we involve the Scheme's solicitors and the police to help recover the monies due to the Scheme.

The 2007 exercise is underway and results will be reported at the end of the year.

State Benefits Update

Please note that information about State benefits is included where we think this may be of interest to members. If you would like further information please contact the relevant Government office. BCSSS staff are not able to provide any advice or further information about State benefits.

Proposed changes to State pension

The 2007 Pensions Bill proposes changes to State pensions. The main proposals are:

- the date from which both men and women can draw their State pension (known as State pension age) should be increased from age 65 to age 68 by 2044. The increase will be on an incremental basis based on your date of birth. If you reach State pension age before 2024 you will not be affected by this change;
- increasing the number of people entitled to a full basic State pension by reducing the number of years it takes to build a full basic State pension from 39 years for women and 44 years for men, to 30 years for everyone who reaches State pension age from 6 April 2010;
- restoring the link between State pensions and earnings. Currently State pension increases are linked to increases in the Retail Price Index. The change should benefit pensioners, as earnings increases generally tend to be higher than price inflation. The new arrangements are expected to be in place between 2012 and 2015.

We will report again on any changes to the above once the Bill has been through Parliament.

MPS Membership

If you were a member of the Mineworkers' Pension Scheme (MPS) between 1961 and 1975 and were upgraded to join the BCSSS prior to 1975, you were not able to transfer your MPS benefits into the BCSSS. You may, therefore, remain entitled to a small pension or lump sum from the MPS. If you are over age 60 and have not claimed your MPS pension you may wish to contact the MPS administration office to see if any benefits are payable.

The address is: Mineworkers' Pension Scheme, Sutherland House, Russell Way, Crawley RH10 1UH. Please remember to quote your National Insurance number as this will help in tracing your membership details.

Taxation of BCSSS Pensions

BCSSS pensions once in payment are treated as taxable under PAYE. HM Revenue and Customs (HMRC) inform the Scheme Administration Office of a tax code for each pensioner and the Scheme has an obligation to apply that tax code and deduct tax from pensions. The Scheme has no discretion to disregard a tax code issued by HMRC.

If you believe that your tax code as applied by the Scheme is incorrect you need to contact HMRC so that if there is an error they can issue a revised tax code. The contact details for HMRC are shown below.

Get in touch – we're here to help

What is your question about?

Payment of your pension or entitlement to benefits

Trustee policy on an issue or the level of service provided by the Scheme

A matter for the attention of the Scheme Chairman or an individual trustee

The deduction of tax from your pension

Please note that any enquiries about tax codes should be directed to HMRC and not to the Scheme's administration office

Telephone

Surname A-J

0845 609 0012

(UK local no.)

(+44) 114 203 4613

(Abroad standard charge no.)

Surname K-Z

0845 609 0013

(UK local no.)

(+44) 114 203 4629

(Abroad standard charge no.)

OR

Write

The Administration Office

BCSSS

4th 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

Write

BCSSS Scheme Secretary
Coal Pension Trustees Services Limited
Hussar Court
Hillsborough Barracks
Sheffield S6 2GZ

OR

Telephone

0114 285 4602

OR

E-mail

bcsss.enquiries@coal-pension.org.uk

Write

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

OR

Telephone

0845 302 1459

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

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

For more information about the Scheme visit the Scheme website at: www.bcsss-pension.org.uk

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.