

BCSSS

pensions news

For members of the British Coal Staff Superannuation Scheme

Summer 2014

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The logo for BCSSS, consisting of the letters 'BCSSS' in a bold, white, sans-serif font on a black rectangular background.

A message from the Chairman

Dear Members

My current period of office as both a member of the Committee of Management (COM) and Chairman will end on 20 September 2014. Having been in office for nine years, I will not be eligible for re-appointment.

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 the last nine years, including the biggest financial crisis in living memory, and I would like to take this opportunity to reflect on my time as your Chairman and the changes to the Scheme over the period.

Changes in Membership

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 just under £125 million. The Fund value in 2005 was £10.1 billion.

In comparison, in 2014 the number of pensioners has fallen to just over 56,600 and there are now just 5,864 deferred pensioners. The annual guaranteed payments to pensioners have grown to £525 million, with additional annual bonus payments still £125 million. The Fund value as at March 2014 was £9 billion.

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.

Actuarial valuations

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. The 2009 and 2012 valuation results were less positive, as the impact of the financial crisis really became apparent. Despite the poor funding positions and the effect of standstill, we were able to award some annual increases to pensions after each of these valuations.

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 (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 could surpluses be transferred to the Bonus Augmentation Fund to provide new bonuses for members.

Consequently, it is difficult for the COM to see how they will be able to pay any meaningful 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 for further bonuses beyond the next valuation remains poor.

COM continues to discuss this matter with the Guarantor to see if there are ways to improve the position.



Payments to beneficiaries

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.

Management changes

Over the past few years, there has been significant change in both the structure and responsibilities of our in-house team at Coal Pension Trustees, led by the Chief Executive, Geoff Mellor. Geoff has established an in-house investment team and an actuarial capability, which have allowed us to ensure we invest the Scheme's assets for the best possible returns for members. The CPT team have also continued to provide high quality secretariat, administrative (day-to-day operations are outsourced to Aon Hewitt) and financial support for the Trustees.

There has been an important change in the way in which we manage the investments of the Scheme. Over the past six years, we have, jointly with our sister scheme (the Mineworkers' Pension Scheme), established and built up the in-house investment subsidiary, Coal Pension Trustees Investments Limited (CPTI). The CPTI team is headed by our Chief Investment Officer, Stefan Dunatov.

Committee of Management

I have been very fortunate in working with a stable and committed team on the COM. As you will know, from the Annual Report & Accounts, members of COM serve also on various sub-committees, which bring rigorous challenge to our strategic discussions and careful oversight of the day-to-day operations of the Scheme.

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 change in the way in which we now work with CPT and CPTI.

As I write this article, the Nomination Group of COM is in the process of deciding who it is to recommend to COM as my successor as Chairman. On behalf of the members of the Scheme, I shall formally welcome the new Chair at the Annual General Meeting in September, which I hope many of you will attend.

Thanks

I should like to express my sincere thanks to the teams on COM, and 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.

I expect that there will continue to be challenges for both the COM, and for my successor as the Chair, in continuing to deliver the benefits that the Scheme provides for its members, as financial conditions change in the future.

I believe that the Scheme is well positioned to face these challenges, and I wish you all well.



Philip Read

2014 Annual General Meeting

Notice of Meeting:

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

Hallmark Hotel Derby

Midland Road, Derby, DE1 2SQ
on Tuesday 9 September 2014 at 2.00pm.

Business:

To receive the Report and Accounts for the year to 31 March 2014 and to debate and vote on any member resolutions. Resolutions to be received no later than 25 August 2014. 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 Derby. The AGM is your opportunity to find out more about how the Scheme is run.

- You will hear reports from the outgoing 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 9 September 2014, from 1.00pm, formal business starting at 2.00pm

The venue:

The Hallmark Hotel Derby, Midland Road, Derby, DE1 2SQ

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.

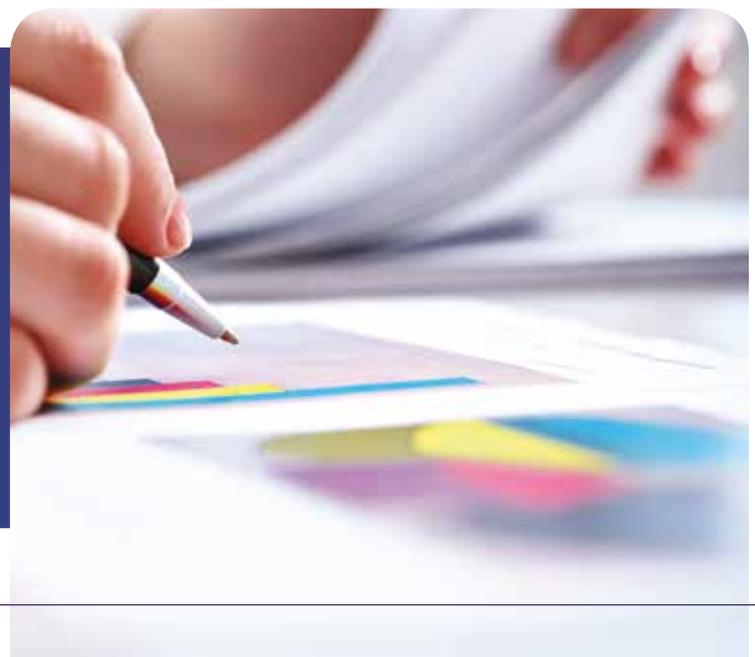
Company boards cannot be told what to do – so resolutions usually support the board or are critical of the board – or they express the hope that something will happen.

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 25 August 2014.

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 2013. The Report and Accounts for the year to 31 March 2014 are currently being finalised. They will be presented at the AGM in September. A summary of the Scheme Accounts and the Trustees' Investment Report as at 31 March 2014 will be provided in the winter 2014/15 edition of BCSSS News.



Pensioner Representative Trustee Election, Summer 2014

A ballot will be held during August and September for the election of a Pensioner Representative trustee in the East Midlands, Southern England & Overseas constituency. The current Pensioner Representative trustee for this constituency is Dr Bob Chappell who has indicated that he will be standing for re-election.

Standing for election

Letters inviting members to request a nomination pack if they are interested in standing for election are currently being sent to members resident in the constituency. The closing date for the receipt of completed nominations will be 8 August 2014.

The election

The successful candidate will be elected by simple majority in a postal ballot that will take place in late August and September 2014.

The results

The ballot will close at noon on 17 September. The successful candidate will take office from 1 October 2014 for a period of four years. Details of the results will also be published in the next edition of Pension News.



Payslips Opt out

We are now able to offer pensioners a choice of whether or not they wish to receive a monthly payslip. Pensioners are able to access their online payslip information through the Scheme's interactive member website and as a result may no longer wish to receive a payslip. Pensioners will be given the option to 'opt out' of receiving a monthly payslip.

If you wish to continue to receive a payslip we will continue to send one to you as usual. If however, you do not wish to receive a payslip, please let the administration office know as there is likely to be a cost saving to the Scheme going forward.

You can contact the administration office by writing to them at the address on the back page.

It is important to note that all pensioners will still receive payslips in January (which will report pensions increase details), March (as a P60) and in April (covering those pensioners with a Post '88 GMP increase and any change in tax coding). Payslips will also be issued if there is a fluctuation in net pension of more than £5 compared to the previous month.

New pensioners will not automatically receive monthly payslips, although any pensioner can opt to receive them on request to the administration office.

Member survey

In order to ensure you get the best possible service from the Scheme's Administrators, the Trustees have decided to issue questionnaires later this summer to a random sample of members. This will help us build a picture of members' views about how the Scheme is run, and most importantly, where improvements might be made.

The aim of the survey is to gather members' opinions about the help they receive when calling or writing to the administration team. It also asks how members feel about Pensions News and other material issued by the Scheme – for instance, is it easily understandable, and does it cater for all the members' needs. We would also like to know your views on the way in which we communicate with you and ways in which we can improve the way in which we provide you with information about the Scheme.

If you receive a questionnaire, please take the time to complete and return it to us. We would very much appreciate your comments, good or bad, so we can continuously strive to provide the best possible service we can. Respondents will be included in a prize draw to win £25 of high street vouchers.

2014 Budget

In March, changes relating to pensions were announced in the 2014 Budget. The changes relate mainly to defined contribution pension schemes, so most BCSSS members will be unaffected. However, there are a few changes that could impact on some BCSSS members so we've provided further details below.

What are the changes?

The changes will be introduced in two stages, with some already introduced from March 2014 and others expected to be introduced from April 2015.

Effective from March 2014:

Changes for payment of small pensions:

Members, over age 60, whose pensions are very small have for some years been able to convert them into a one off taxable cash payment, provided that the one off cash payment is less than limits set by HM Revenue and Customs (HMRC). From March 2014 HMRC have increased these limits:

- If you have less than £30,000 of pension savings in total across all your pension arrangements (as a guide this is broadly equivalent to a total pension of £1,500 per year), you can take them as a cash lump sum. Previously this limit was £18,000.
- If your total pension savings in BCSSS are less than £10,000 (as a guide this is broadly equivalent to a pension of £500 per year), you can take them as a cash lump sum. Previously this limit was £2,000.
- If your pension savings are more than the amounts set out above, then you are unaffected by these changes.

Effective from April 2015:

The Government has not yet finalised the details of the 2015 changes. It is currently carrying out a consultation exercise to let people comment on its proposals. This consultation is due to finish in June 2014 with the results to follow later in the year. We expect to be able to include a further article in the next edition of Pension News confirming the outcome of the consultation. Until then, we can only provide an outline summary of the changes the Government is planning to introduce.

For members of defined contribution schemes:

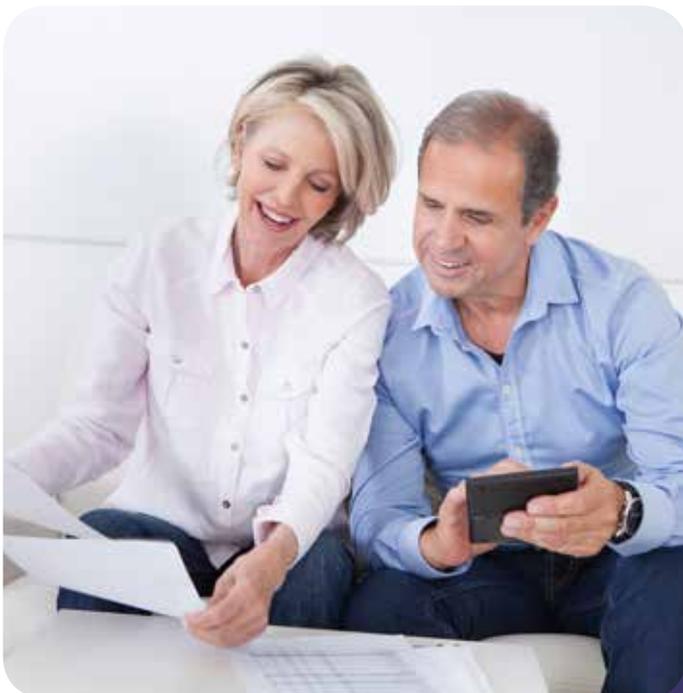
The Government's main proposal is that members of defined contribution pension schemes will be given more flexibility as to how they can draw to their pensions savings. They will no longer be obliged to purchase an annuity on retirement.

For members of defined benefit schemes:

Currently, non-retired members of defined a benefit scheme, who are more than a year away from normal retirement age (so age 59 and under in BCSSS), have the option to transfer their pension benefits to a defined contribution pension scheme. The Government is considering whether the option to take such a transfer should be removed or restricted in some way.

For members of all pension schemes:

The Government has proposed to increase the minimum age at which pension benefits in most UK pension schemes can be taken from 55 to 57 by 2028 (and then, going forwards, maintain it at 10 years below the State Pension Age). This change is not expected to affect the vast majority of BCSSS members who have a right to take their pension benefits from age 50. However, there are a handful of BCSSS deferred members who don't have this right and could be impacted by this change.



Pension Paydays for 2014

30 June 2014

31 July 2014

29 August 2014

30 September 2014

31 October 2014

28 November 2014

19 December 2014

Keep your pension safe

Other changes announced in the Budget should help HMRC to clamp down on companies who offer to arrange for scheme members to have 'early' access to their pension – a practice known as "pension liberation". The changes will make it more difficult for companies to set up and run such arrangements.

You should be wary of companies who tell you that they will be able to allow you to have 'early access' to your pension or to a lump sum. What they **don't** tell you is that you might end up paying a 55% tax charge on any payments – and that is after they have taken a further cut from your pension savings in the form of a commission of typically 20% to 30%.

There is more information on HMRC's website about the risks of transferring your scheme pension to this type of arrangement:

<http://www.hmrc.gov.uk/pensionschemes/liberation>

The website includes a number of examples to show what could happen if you enter into a pensions liberation arrangement. We've included one of these examples below.

Example – accessing money from a former employer's pension scheme

- Bill gets a text message asking him if he wants to release money from his pension.
- He finds out he has £28,000 in his former employer's pension scheme and agrees to transfer it to another scheme.
- Because he's short of money and wants access to cash quickly, he accepts that he'll lose £10,000 of it in fees to the new pension scheme or adviser.
- He gets £18,000 and spends it.
- HMRC investigate the transfer and because he's only 42 and has broken the rules by taking his pension early and taking all of it as a lump sum they write and tell him he has to pay a tax charge of £15,400 (55 per cent of the £28,000 paid out of his pension savings).
- Bill (not the pension scheme) must pay the tax charge. The tax charge is in addition to the £10,000 Bill has already paid in fees.

Remember, if you do take a transfer – whether it is a "pensions liberation" vehicle or not – once you leave the BCSSS, you will not be able to return, even if you find you have made a mistake. If you are considering taking a transfer you may be best advised to seek independent financial advice.

Pension Payroll Arrangements

The Scheme has nearly 57,000 pensioners in payment. To ensure that pensions are paid into bank accounts on time, the payroll has to be processed up to two weeks before the actual payday.

If you are changing your bank account it is very important to let us know as early as possible so that payment can be paid to your new account. It will help to prevent any delay if you include your Scheme reference number as shown on your payslip (it begins with A and has six digits) on any correspondence. To prevent any delays in payment, you may wish to keep your previous bank account open until you have received a letter from the Administration Office to confirm that your details have been updated.

The Scheme's website

During the spring, the information contained on the Scheme's website has been reviewed and revised. A new-look, easy to navigate website, containing up to date information about the BCSSS, is almost ready to launch.

We anticipate that the new site will be introduced in the summer – the website's address is unchanged, so please keep visiting www.bcsss-pension.org.uk to check on the launch, and feel free to send us comments or any feedback you might have on the new site.

The Scheme's interactive website – My Pension Online

The interactive Scheme website was introduced in November 2012. Letters providing login IDs were sent to all members at the end of 2012 to confirm how to register on the website.

Once you have registered, the interactive site allows you to:

- Check the personal details we hold for you
- Make online changes to your address and bank details
- Access commonly asked questions and answers about the Scheme and links to Scheme documentation
- Contact the Administration Team online
- Access useful links to other pension related websites.

Deferred members can also view a statement of current benefits and pensioners can view online payslips and tax information.

The interactive website address is:

<https://www.mypensionline.com/BCSSS>

If you have lost your login ID details, please contact the Administration Team for assistance.

All members can of course continue to contact the Scheme by phone or by letter.

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.)

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

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

(+44) 114 203 4629
(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

New HMRC contact details

HMRC have changed their address and contact telephone number. If you write to them, please use this new address:

HM Revenue & Customs
Pay As You Earn
PO Box 1970
Liverpool
L75 1WX

Their new telephone number is
0300 200 3300.

Please quote 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.

