

BCSSS

pensions news

For members of the British Coal
Staff Superannuation Scheme

Winter 2011/12



BCSSS

Inside this issue...

January 2012 Pension increase

Pensions have been increased in January 2012, providing members with a significant degree of inflation protection.

2012 is an actuarial valuation year

The next actuarial valuation will be carried out as at 31 March 2012.

Summary of the Scheme's Report & Accounts for the year to 31 March 2011

We summarise some of the key information from the Scheme's Report & Accounts for the year to 31 March 2011.

Trustee news

One of our Pensioner Representative Trustees has been re-elected with a sizeable majority, and two of our appointed Trustees have been reappointed for a further term.

2012 Pension Paydates

Those all-important paydates for your diaries and calendars.

Stewardship Code

The Scheme has signed up to the UK Financial Reporting Council's Stewardship Code.

Website News

Read about some major enhancements that are planned for the Scheme's website during 2012.

Tax changes

From April 2012 there will be changes to the Lifetime Allowance. We explain what these changes are, and how they might affect you.



January 2012 Pension increase

The BCSSS Rules provide for guaranteed pensions to increase on 1 January each year in line with the rise (if any) in the Retail Prices Index (RPI) over the 12 months to the previous November.

The increase in RPI to November 2011 as published by the Office for National Statistics was 5.2%. Your guaranteed pension – whether deferred or in payment – has been increased by 5.2% with effect from 1 January 2012.

If you are already receiving your pension, you will have received notification of the increase with your January pension payslip. It is important to note that the increase does not apply to your entire pension. Increases to any Guaranteed Minimum Pension element within your pension will be applied as explained in your pensions increase letter.

Deferred Pensioners will be notified of the increase in their annual benefit statement, to be sent in the summer.

Furthermore, we are also implementing the replacement bonus awarded by the Trustees following the 2009 actuarial valuation. This replaces the reduction in reducing bonuses meaning your guaranteed pension will increase in line with inflation and your total bonuses will remain level.

These increases provide members with a significant degree of inflation protection. What's more, if inflation remains positive, there will be a further pension increase in January 2013, reflecting the increase in RPI to November 2012 but otherwise calculated on the same basis.

The 2012 actuarial valuation

Work will soon be starting on the actuarial valuation of the Scheme as at 31 March 2012. Results are expected around the end of the year.

At the last valuation in 2009 there was a substantial deficit in the Guaranteed Fund. This meant that no money could be transferred from the Guaranteed Fund to the Bonus Augmentation Fund to pay new bonuses. The deficit had to be made good by a loan of £979m from the Investment Reserve.

Under the guarantee arrangements the first call on any future valuation surplus has to be to repay the loan (and interest on it). Investment market returns have been

variable since the last valuation and, given the size of the loan, it is unlikely that there will be sufficient surplus at the 2012 actuarial valuation to repay it in full. The outlook for new bonuses at this valuation, therefore, isn't good. We will of course keep you informed as the valuation outcome becomes clear.

Whatever the results of the 2012 valuation, your underlying RPI linked guaranteed pension is protected and your total pension cannot fall.

Summary of the Scheme's Accounts for the year to 31 March 2011

At the Scheme year-end, 31 March 2011, the Fund stood at £9,233 million. The Consolidated Fund Account is shown below.

The Consolidated Fund Account	2011 £million	2010 £million
Income		
Income from investments	152	162
Total Income	152	162
Expenditure		
Pensions and lump sums	(667)	(677)
Running costs:		
Investment management	(28)	(22)
Other administration costs	(7)	(6)
Payments to Guarantor	(47)	(192)
Total Expenditure	(749)	(897)
Change in market value	794	2,113
Net Increase/(Decrease) in Fund during year	197	1,378
Net assets at 31 March 2009/2010	9,036	7,658
Net assets at 31 March 2010/2011	9,233	9,036

Summary of the Trustees' Investment Report as at 31 March 2011

The Scheme's investments

The majority of asset classes recorded reasonable returns over the year to 31 March 2011. Economic growth in developing economies and the maintenance of low short term interest rates by the major developed economies helped support global economic activity.

However, the markets also experienced periods of turbulence. Tensions in the Middle East and concerns about debt in many eurozone economies continued to test market confidence and the strength of the global economic recovery.

Annualised Return on Investment Assets to 31 March 2011

	Trailing 1 year		Trailing 2 years	
	Scheme %	Benchmark %	Scheme %	Benchmark %
Cash	2.7	0.5	4.3	0.6
Fixed Income	6.8	5.2	11.1	7.8
Equities	11.0	9.6	29.2	28.0
Property	12.2	13.3	16.3	9.8
Uncorrelated	10.8	6.1	18.0	11.2
Total	10.8	9.4	20.5	19.9

Strategy

The key investment decision for the Trustees is the strategic asset allocation. The current strategy continues to be to have a high allocation to "return seeking" assets such as equities and property which have high expected returns. This is consistent with the aim of generating surplus so that the Investment Reserve debt can be repaid and then new bonuses can be paid to members.

The returns on such assets are inevitably volatile and there is no certainty that investing in them will provide consistently high returns, especially over shorter periods.

The remaining assets are allocated to bonds and cash, where returns are more certain but are likely to be lower over the longer term. This allocation provides some protection in times of stress, where these securities provide an element of diversification and can be used to pay benefits without having to sell other assets at sub-optimal prices.

At the end of the year to 31 March 2011, the actual proportion of investment assets held at market value in comparison to the target asset allocation was as follows:

		Actual %	Target Asset Allocation %
Cash & Fixed Income	Cash	1.9	4.0
	Nominal Fixed Income	15.6	16.0
Equities	Passive Equity	31.8	32.5
	Active Equity (including long/short equity)	24.5	22.5
	Private Equity	10.4	10.0
Property	UK Property	8.1	8.0
	Infrastructure	1.9	2.0
Alternative Strategies	GTAA & Other Opportunities	5.8	5.0
Total		100.0	100.0

Investment Performance

The table below shows the annual return on investment assets compared to benchmark returns for each of the past 5 Scheme years.

	Scheme Return %	Benchmark* %
2011	10.8	9.4
2010	31.0	31.3
2009	(24.6)	(14.3)
2008	(2.2)	(2.6)
2007	8.9	8.7

* As highlighted in last year's Report and Accounts, there has been a change in the composition of the Scheme benchmark for the last two years, compared to the period 2007 to 2009.

Scheme Membership Details

Details of the Scheme's Membership as at 31 March 2011 and 31 March 2010 are set out below.

	As at 31 March 2011	As at 31 March 2010
Deferred pensioners	6,609	7,443
Pensions in payment		
Former contributors	42,795	43,596
Widows/widowers	17,129	17,602
Children	202	217
Total pensions in payment	60,126	61,415

Trustee News – re-appointments and re-election

Committee of Management Re-appointments

The current terms of office of Dick Barfield and Heather McGuire, two of the Scheme's Appointed Trustees, will come to an end on 25 March 2012 and 30 April 2012 respectively. Dick is currently Chairman of the Investment Sub-committee and Heather is currently Chairman of the Administration and Benefits Sub-committee. The Committee of Management has agreed that their existing terms of appointment should be extended for a further three year term ending in 2015.

Pensioner Representative election

Pensioner Representatives on the Scheme's Committee of Management are elected from each BCSSS constituency for a period of four years. Stuart Jukes' term of office as Pensioner Representative for the Yorkshire and North Lincolnshire constituency came to an end on 30 September 2011. The constituency held an election during 2011 and Stuart was re-elected. He will now serve for a further four year period, to the end of September 2015.

Result in detail

- Two candidates stood for election
- 6,877 members voted, 37.3% of the 16,593 who were eligible to vote
- Stuart Jukes, the successful candidate, received just over 80% of the votes cast.

Our congratulations go to Stuart. Thanks to all those who voted and those who stood for election.

Forthcoming election

A ballot will be held during August/September 2012 for the election of a Pensioner Representative Trustee in the North West England, West Midlands, Wales and Northern Ireland constituency. The current Pensioner Representative Trustee for this constituency, Bledwyn Hancock, is eligible to stand for re-election. Further details of the arrangements for that election will appear in the summer edition of BCSSS Pensions News.

Annual General Meeting – 2011

The 2011 Annual General Meeting (AGM) was held in Liverpool on Thursday 6 October. The AGM was attended by 57 Scheme members who joined the Committee of Management, Scheme officials and guests to hear presentations from the Scheme Chairman, Philip Read; the Chairman of the Investment Sub-committee, Dick Barfield, and the Chief Executive of Coal Pension Trustees Services Limited, Geoff Mellor.

The presentations included a summary of the Scheme's Report and Accounts, an update on Trustee appointments, investment strategy and performance, and answers to written questions that had been put to the meeting.

Following the AGM, time was allowed for members to raise additional questions during an open forum session.

Copies of the presentations made to the AGM, and a transcript of the questions and answers from the open forum session, can be requested from the Scheme Secretary at the address given on the back page of this newsletter.

Information about this year's AGM will be published in the next edition of BCSSS Pensions News, due to be issued in the summer.

Pension Paydays for 2012

31 January 2012	31 July 2012
29 February 2012	31 August 2012
30 March 2012	28 September 2012
30 April 2012	31 October 2012
31 May 2012	30 November 2012
29 June 2012	21 December 2012



News in Brief

Pension Payroll Arrangements

The Scheme currently has over 60,000 pensioners in payment, and 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.

UK Stewardship Code

During the year, the BCSSS signed up to the Financial Reporting Council's Stewardship Code. The purpose of the Code is to improve the quality of Corporate Governance, through promoting better dialogue between shareholders and company boards, and more transparency about the way in which investors oversee the companies they own. The Trustees believe that widespread adoption of good Corporate Governance

practice will improve the quality of the management of companies and, as a consequence, is likely to increase the returns available to long term investors.

The Scheme's Compliance Statement is now available on the BCSSS website, together with a separate statement which outlines our Corporate Governance Policy. Copies are also available on application to the Scheme Secretary.

BCSSS Website enhancements

Communicating with members is a crucial part of the Trustees' responsibility. To ensure that we continue to communicate as effectively as possible, during 2012 we will be developing the website services available to members. We intend to introduce a range of 'self-service' options. These new arrangements will allow members access to their personal BCSSS records. They will also enable deferred members to view their most recent benefit statement and model the effects of making

changes – for example, the effect of deferring the date from which they take their pension.

Members will be able to download forms and check their details online and there will be the option to make some changes to personal details.

More information about the changes to come will be available later in the year, with the details included in the summer 2012 edition of Pensions News.

Changes to pensions tax relief

On 6 April 2012 the "Lifetime Allowance" (the total amount of pension savings someone can build up before being charged excess tax) will be reduced from £1.8m to £1.5m, following which it is likely to be frozen at that level for some years to come.

Your BCSSS pension will only count towards the Lifetime Allowance if you have any pension savings yet to be drawn, so most BCSSS members, who are already pensioners, will be unaffected.

However, we need to make you aware of the changes so that any members who may be affected can take advice and plan appropriately. The Scheme can give you information about your BCSSS pension but please note we cannot advise on personal taxation matters or on what action to take with regard to any other pension arrangements. If you think you might be affected by these changes, we recommend you seek financial advice before the end of the tax year.

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.)

Surname K-Z
0845 609 0013
(UK local 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

Telephone:

0845 300 0627

OR

Write:

**HM Revenue and
Customs Enquiry Centre
Merseyside Tax District
Regian House
James Street
Liverpool L75 1AA
0845 300 0627**

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

A matter 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

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.

