



Member Update August 2021

Message from the Chairman

Dear Member,

In this update we summarise the recent Business Energy and Industrial Strategy Committee's ("the BEIS Committee") Inquiry into the Mineworkers' Pension Scheme ("MPS") and share the Trustee's perspective on its conclusions and the Government's response.

Before providing this update, I'm conscious that this will be last time I write to MPS members. After twelve years as an MPS Trustee, initially as Chairman of the Investment Sub Committee and more recently as Chairman of the Committee of Management, I am leaving the Trustee Board at the end of August. I will be succeeded as Chairman by Paul Trickett, who has a long history with the Scheme and has served as Chairman of the Investment Sub Committee for some three years. I have no doubt that Paul will do an outstanding job and I am confident that under his leadership, and with the support of a strong and committed Trustee Board, the Scheme will be in very good hands.

It has been a privilege to serve as a Trustee for MPS which is, in many ways, a unique pension scheme. For most pension scheme trustees the objective is simply to ensure that there is enough money in the scheme to pay the benefits which have been promised. This is true for MPS too, of course, but in addition, under the Scheme rules, we have had the opportunity to improve the benefits paid to members and doing so has always been the singular focus of the Trustee Board. This clear sense of purpose, which all Trustees share, has meant that the Board has been at all times united and completely aligned around the decisions we have made.

Since privatisation in 1994 the Trustees have consistently sought to improve member outcomes, both while exercising our fiduciary responsibilities within the Scheme rules and by seeking rule changes which would benefit members, though the latter has only been possible with the Government's agreement. The headline benefit improvement is the fact that the typical weekly pension is around a

third higher, in real terms (i.e. after allowing for inflation), than it was in 1994, but there have been other successes.

At the three valuations when the Scheme has been in deficit, the Trustees were able to borrow from the Investment Reserve so that members' pensions have never 'stood still' and have therefore almost always increased from one year to the next, and almost always in a consistent fashion with inflation. In 2013 the Trustees agreed to extend the 'life' of the Investment Reserve, which had been due to end in 2019, so that it could continue to play this valuable role. At the 2017 valuation, the Trustees negotiated a six-year 'deal' which meant that the total pension, i.e. not just the guaranteed pension, could be expected to increase broadly in line with RPI each year until 2023. And finally, of course, more recently the Trustees succeeded in protecting bonuses so that all bonus pensions built up to 2023 will also be covered by the government guarantee, so that they can't be lost.

The MPS Trustee Board comprises ten Trustees, five Trustees who are elected by you, the members, and five Appointed Trustees who are appointed by their fellow Trustees. There are no government appointees. I'd like to thank all of my fellow Trustees for their contribution, and support, during my time as a Trustee, but I'd like to pay special thanks to all of our Elected Trustees, past and present, who have never wavered from their focus on securing what is best for members and who have ensured that all Trustees have shared this commitment. It has been a pleasure to work with such an aligned Board with a shared mission to improve outcomes for members.

Yours faithfully



Chris Cheetham
Chairman of Trustees
Mineworkers' Pension Scheme

The BEIS Committee's inquiry

You may have seen in the news that an inquiry into the Mineworkers' Pension Scheme was recently conducted by the BEIS Committee.

The BEIS Committee is one of a number of House of Commons Select Committees. Each Select Committee is made up of a group of MPs from across the political parties and their role is to scrutinise the policy, spending and administration of a particular Government department. The BEIS Committee's interest in the Scheme stems from the fact that the Scheme has a Government Guarantee, which is provided by the Department of Business, Energy and Industrial Strategy.

The BEIS Committee's inquiry into the Scheme focused on how the Scheme's surplus sharing arrangements were agreed back in 1994, the Government's role as Guarantor of the Scheme, and the continued appropriateness of the 50:50 sharing of any surplus.

The MPS Trustees spent a considerable amount of time preparing evidence for the Committee, which we provided verbally and in a written submission, and we were delighted by the Committee's conclusion and recommendations. It said,

“The Government's guarantee has undoubtedly benefited the Scheme's members by providing vital security that the value of pensions will not decrease. However, the price of this guarantee is no longer fair.”

The Committee recommended that 100% of future surpluses should be distributed to members, with the Government only receiving surplus monies in the future if the Scheme has previously fallen into deficit and the Government has had to provide funds. The Committee also recommended that the Scheme's Investment Reserve should be used to provide an immediate cash uplift to pensions.

These changes would improve members' benefits, both immediately and in the event of future surpluses and, naturally, all Trustees are completely supportive of the recommendations.

The Government's response

The Government's response to the BEIS Committee's report was published on 5 July 2021. In short, the Government rejected all of the Committee's recommendations stating that,

“The Government continues to believe that the arrangement agreed in 1994 was fair and beneficial to both Scheme members and taxpayers.”

The Trustees' perspective

The Trustees strongly support the BEIS Committee's recommendations. Indeed, much of the evidence cited by the BEIS Committee in forming their recommendations is consistent with the evidence provided by the Trustees as part of the inquiry. The Trustees have made their support of the BEIS Committee's recommendations clear to Anne-Marie Trevelyan, the Government Minister with responsibility for the Scheme, and we are, of course, disappointed by the Government's response.

The Trustees cannot make changes to the Scheme without the Government's agreement, but we will continue to discuss the Committee's recommendations with the Minister.





The Government Guarantee

The Trustees would like to take this opportunity to stress the value of the Government Guarantee and to reassure you about your current pension.

The Trustees are conscious that whenever there are discussions about the future of the Scheme some members may have concerns that the Government Guarantee might be compromised in some way. Since privatisation in 1994 the guarantee has been fundamental to the way in which the Scheme has worked and to securing members' benefits. Consistent with their fiduciary responsibility to always act in the best interests of members, the Trustees have recently taken and considered both actuarial and legal advice on the role of the Guarantee and, having reviewed all possible alternatives, confirmed that there are no circumstances in which they could consider giving up the Government Guarantee. It would simply not be in the interests of members to operate without it. This means your pension will remain protected.



What happens next?

The Trustees will consider the implications of the Government's response more fully and will of course consider any opportunities to keep these issues on the Government's agenda.

However, the Trustees feel it is important for members to understand that the Government is not bound to implement the recommendations from the BEIS Committee's Report and it is the Government, rather than the Trustees, who have the power to change the Scheme Rules.

And finally, the Trustees would like to reassure you that all members will continue to benefit from the changes to protect members' bonus pensions, which were made to the Scheme in 2020, and from the bonuses awarded following the surplus at the 2017 actuarial valuation.

Taken together these initiatives mean that:

- New bonuses have and will be provided which will give increases to members' total pensions equivalent to 4.2% of guaranteed pensions in each year from and including 2018 to 2023; and
- Any bonus built up to 2023 can no longer be lost or reduced at subsequent actuarial valuations. Prior to the changes these bonus pensions could be lost or reduced if there was a deficit at an actuarial valuation in 2023 or after.



Communication with members

Your Trustees remain committed to keeping you informed about the MPS and, working with their executive team, Coal Pension Trustee Services Limited (CPT), to replying promptly to any questions members have about their own pension. This includes responding to any general questions members may have about the Scheme's rules and its history. However, at times of heightened interest in the Scheme the latter can become very challenging. Given that very often several members have the same or similar questions, the Trustees plan to make much greater use of the Q&A document on the Scheme's website.

<https://www.mps-pension.org.uk/news/2021/06/questions-from-scheme-members>

Ideally, members will be able to find answers to their questions here. Going forward, CPT will aim to continually update the Q&A to reflect areas of interest. Hopefully, all members will find this development useful, though it may mean you won't always get a direct reply to a generic question. CPT will continue to prioritise questions from members about their own pension.

Where to get more information about the BEIS Committee's inquiry

If you would like to see a copy of the BEIS Committee's report, the Government's Response and/or the evidence provided by the Trustees as part of the inquiry these can all be found on the BEIS Committee website.

<https://committees.parliament.uk/work/1114/mineworkers-pension-scheme/publications/>

For Scheme information and more visit: www.mps-pension.org.uk



