Mineworkers' Pension Scheme

Report and Accounts

2022

Contents

MEMBERSHIP OF COMMITTEES
as at 30 September 2022

Trustees of the Mineworkers' Pension Scheme Limited (the Trustee)

Committee of Management (the Committee)

The Appointed and Elected Pensioner Representative Trustee Directors are shown below.

Appointed Trustee Directors

P Trickett (Chairman)
P Hay-Plumb [1]
I Maybury
J McAleenan
J McLaughlin

Elected Pensioner Representative Trustee Directors

K Capstick - Yorkshire & North Lincolnshire
R Clelland - Scotland, North West England & North Wales
A Gascoyne – Derbyshire, Nottinghamshire & Lincolnshire [2]
AW Jones - Central & Southern England & South Wales [3]
A Young - North East England & Overseas

Investment Sub-committee (ISC)

J McLaughlin (Chairman)
R Clelland
I Maybury
A Young

Risk and Assurance Sub-committee (RASC)

J McAleenan (Chairman)
K Capstick [4]
AW Jones
I Maybury

Member Experience Sub-committee (MESC)

P Hay-Plumb (Chairman) [1]
R Clelland
A Gascoyne [5]
I Maybury

Discretions and Appeals Sub-committee (DASC)

P Hay-Plumb (Chairman) [1]
R Clelland
A Gascoyne [5]
I Maybury

[1] Mrs P Hay-Plumb was appointed as a Trustee Director on 1 December 2021. Mrs Hay-Plumb replaced Ms Jones as Chairman of the Member Experience Sub-committee and Chairman of the Discretions and Appeals Sub-committee with effect from 1 December 2021 following Ms Jones' resignation on 30 November 2021.

[2] The Committee resolved that Mr M Newton should vacate his office as a member of the Committee on 11 February 2022. Mr A Gascoyne was subsequently elected to replace Mr M Newton with effect from 1 August 2022 for the remainder of Mr Newton's term.

[3] Mr AW Jones was re-elected as a Pensioner Representative Trustee Director for a five-year term with effect from 1 October 2022.

[4] Mr A Young replaced Mr M Newton as a member of the Risk & Assurance Sub-committee with effect from 1 March 2022. Mr K Capstick replaced Mr A Young with effect from 20 September 2022.

[5] Mr A Gascoyne replaced Mr K Capstick as a member of the Member Experience Sub-committee and the Discretions and Appeals Sub-Committee with effect from 20 September 2022.

Appointments
as at 30 September 2022

Trustee Company
Trustees of the Mineworkers' Pension Scheme Limited

Executive - Coal Pension Trustees Services Limited (CPT)
G Mellor, Chief Executive
M Lees, Chief Finance and Risk Officer
J Unsworth Deckerova, Chief Operations Officer
M Walker, Chief Investment Officer
D Whincup, Chief Pensions Officer

A Gibbons, Scheme Secretary

Principal Investment Adviser - Coal Pension Trustees Investment Limited **(CPTI)**

Principal Investment Managers [1]
BlackRock Investment Management (UK)
LaSalle Investment Management

Actuary - M Clarke, Government Actuary

Principal Legal Adviser - Linklaters LLP

Pensions Administrator - Capita Pension Solutions Limited

Auditor – Deloitte LLP

Bankers – Lloyds Bank plc
NatWest Group plc
The Northern Trust Company

Custodian – The Northern Trust Company

Investment Advisers [2] – D Adam
G Steinberg

Medical Adviser - RPS Occupational Health Limited

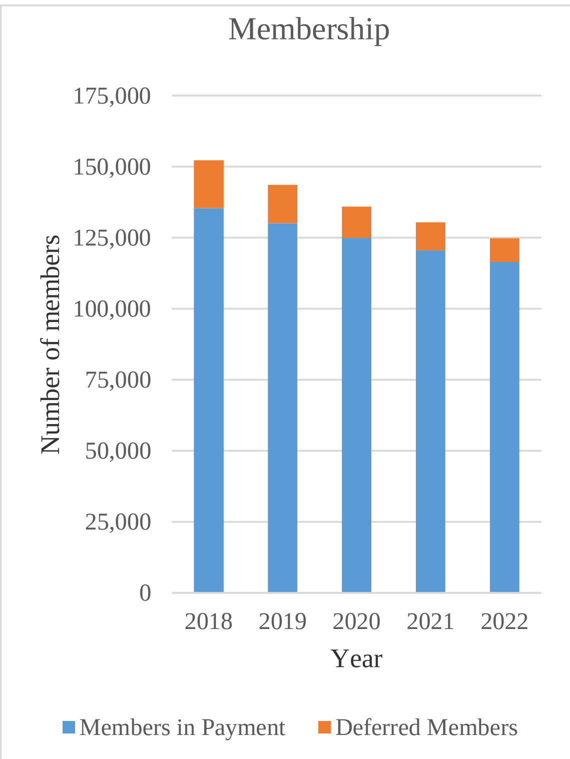
The Scheme's registration number with The Pensions Regulator is 10058240.

[1] Principal Investment Managers are defined as those managing at least 5% of the Scheme's Net Assets by market value as at 30 September 2022.
[2] Mr I Harwood and Mr J Betteridge stepped down as investment advisers on 30 September 2022. Mr D Adam and Mr G Steinberg were appointed as investment advisers with effect from 1 October 2022.

Key Statistics

Key Statistics for 2022	
Total number of pensioner members at 30 September	**116,343**
Total number of deferred members at 30 September	**8,432**
Total benefits paid and transfers out during the year	**£686m**
Net decrease in the Fund during the year	**£903m**
Net assets of the Scheme at 30 September	**£11,638m**

Five Year Summary of the Fund Account	**2018 £m**	**2019 £m**	**2020 £m**	**2021 £m**	**2022 £m**
Benefits and payments out of the Scheme					
Benefits and transfers out of Scheme	(696)	(696)	(700)	(694)	(686)
Payments to the Guarantor	(526)	(142)	(142)	(142)	(142)
Administrative expenses	(7)	(6)	(6)	(6)	(7)
Net withdrawals from the Scheme	**(1,229)**	**(844)**	**(848)**	**(842)**	**(835)**
Returns on investments					
Investment income	308	302	278	235	300
Change in market value of investments	706	259	175	1,967	(341)
Investment management expenses	(47)	(43)	(38)	(39)	(27)
Net returns on investments	**967**	**518**	**415**	**2,163**	**(68)**
Net increase/(decrease) in the Fund during the year	**(262)**	**(326)**	**(433)**	**1,321**	**(903)**
Net assets of the Scheme at 30 September	**11,979**	**11,653**	**11,220**	**12,541**	**11,638**



Report of the Committee of Management

The Committee is pleased to present the Annual Report and Accounts of the Mineworkers' Pension Scheme (the Scheme) for the year ended 30 September 2022.

The Investment Report on pages 16 to 20 and the Compliance Statement on page 51 form part of this Annual Report.

Management of the Scheme
The Trustee has ten directors who form the Scheme's Committee. Of the ten members of the Committee, five are appointed, and may be removed, by the Committee. When there is an appointed Trustee Director vacancy, the Nomination Group recommends a suitable candidate to the Committee. The term of office for an appointed Trustee Director is three years. The maximum number of terms served is three, although this can be extended with the agreement of the Secretary of State for Energy Security and Net Zero (the Guarantor).

The remaining five members of the Committee are Pensioner Representatives elected by Scheme members from five geographical constituencies. The term of office for an elected Pensioner Representative Trustee Director is five years, after which the Pensioner Representative will be eligible for re-election.

Attendance at Meetings
During the year there were five meetings of the Committee. Trustee Directors are notified of all meetings in advance. For decisions to be valid, a minimum of four Trustee Directors must be present (of whom two must be appointed directors and two Pensioner Representatives). In the case of an equality of votes, the Chairman of the meeting has a second or casting vote.

Sub-committees
To help perform its duties and to streamline decision making, the Committee has established, and delegated some of its powers, to four Sub-committees. Each Sub-committee has its own written Terms of Reference agreed by the Committee. The membership of each Sub-committee is shown on page 3. Sub-committee meetings are open to all members of the Committee to attend.

During the year: DASC met on four occasions; ISC met on four occasions; MESC met on four occasions and RASC met on four occasions.

Remuneration
Members of the Committee are entitled to remuneration for the work they undertake for the Scheme. The rates of remuneration are set by the Guarantor for all Committee posts other than the Chairman, the Chairman of ISC, the Chairman of RASC and the Chairman of MESC which are set by the Committee, after showing that the pay rates have been benchmarked to the satisfaction of the Guarantor.

Remuneration rates are reviewed annually. From 1 April 2022, the rates of remuneration for all members of the Committee increased by 4% to £80,600 per year for the Chairman, to £64,000 per year for the Chairman of ISC, to £44,150 per year for the Chairman of RASC, to £36,400 for the Chairman of MESC and to £21,250 per year for all other members of the Committee.
The total remuneration paid in the year to the members of the Committee was £334,376.

Appointments
A list of the key appointments made by the Committee is on page 5. These appointments are periodically reviewed by the Committee. The principal investment managers and custodian are also listed on page 5 and a further list of the investment managers is included in the investment report on page 18.

Coal Pension Trustees Services Limited
Coal Pension Trustees Services Limited (CPT), a company owned jointly by the Scheme and the British Coal Staff Superannuation Scheme (BCSSS), acts as the Scheme's Executive. Four members of the Committee sit on the Board of Directors of CPT. At the year-end, these were Mr Trickett, Mr Jones, Mr McAleenan and Mr Capstick. The Board met two times during the year.

A subsidiary company of CPT, Coal Pension Trustees Investment Limited (CPTI) provides investment advice to the Committee. CPTI is authorised by the Financial Conduct Authority (FCA).

Further Information
Enquiries about the Scheme should be sent to the Scheme Secretary at the address shown below.

Internal Dispute Resolution Procedure
It is expected that most queries about pension benefits can be resolved by the Scheme Administrator. In the event that a complaint cannot be resolved, Scheme members can lodge a formal complaint using the Scheme's Internal Dispute Resolution Procedure (IDRP).

The Scheme's IDRP complies with the requirements of Section 50 of the Pensions Act 1995 and The Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. The IDRP is the route under which any disputes between the Committee and Scheme beneficiaries may be resolved.

Details of the IDRP can be obtained from the Scheme Secretary at:

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

IDRP forms can also be downloaded from the 'Internal Dispute Resolution Procedure' section of the Scheme's website.

Complainants have recourse to The Pensions Ombudsman (TPO) to assist them in taking their complaint through the dispute process. TPO is appointed by the Government and can be contacted at:

10 South Colonnade, Canary Wharf, London, E14 4PU
www.pensions-ombudsman.org.uk

Transfers out of the Scheme
Transfer values paid during the year in respect of transfers to other pension schemes have been calculated on a basis decided by the Committee following advice from the Actuary. The Committee has directed the Actuary not to take discretionary pension increases into account in the calculation of transfer payments.

Guaranteed Minimum Pensions (GMP) Equalisation
In October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension should be recalculated where necessary to reflect the requirement for the equalisation of overall benefits between May 1990 and April 1997 as between men and women. In November 2020, a further ruling by the High Court determined that trustees are liable for any top-up required to transfers out of a scheme in respect of members who had contracted out of the state second pension to reflect the equalisation of overall benefits between May 1990 and April 1997 as between men and women where the transfer was made under the cash equivalent transfer value legislation.

The Committee is aware of a potential liability in respect of GMP Equalisation and continues to liaise with the Scheme's professional advisers to establish the financial impact on the Scheme. However, on the basis that the additional liability is not expected to have a material impact upon the Scheme, the Committee has decided not to include a specific provision for GMP Equalisation in these financial statements. As soon as the impact of the ruling on the Scheme is finalised and any related Scheme liability quantified, a liability will be included in the Scheme financial statements.

Statement of Investment Principles
Under Clause 9A of the Scheme and Rules of the Scheme (Scheme and Rules) the Committee is required to prepare and maintain a written statement of the principles governing decisions about investments for the purposes of the Scheme. The Statement is reviewed at least every three years and immediately after any significant change in investment policy. The statement was updated following completion of the Strategic Investment Framework review by the Committee. The latest Statement can be viewed on the Scheme website.

Discretionary Benefits
The Committee may, in certain circumstances, pay discretionary benefits where Scheme benefits are not yet in payment. The Committee currently has a discretionary power to grant early payment of unreduced Scheme benefits in extreme and exceptional circumstances, whatever a member’s age. For example, discretionary benefits may be paid where a deferred member provides medical evidence to show that they would be unable to undertake any form of employment due to physical or mental deterioration in their health before the age of sixty.

Conflicts of Interest Policy
The Committee has a conflicts of interest policy which sets out its principles for identifying, managing and monitoring any Trustee Director, Scheme Executive or Scheme adviser’s actual or potential conflicts of interest which may arise in the conduct of Committee business and decision making. The policy is reviewed regularly.

Evaluation of Trustee Director Performance
The Committee evaluates formally its performance and the performance of its Sub-committees on a periodic basis.

Membership of the Scheme

Details of changes in the numbers of pensioners and deferred pensioners during the year are shown below.

Deferred members at 30 September 2021	**9,906**
Additions:	
Pension sharing credits	6
Reductions:	
Retirements	876
Deaths	88
Transfers	10
Commutations paid	134
Adjustments*	372
Deferred members as at 30 September 2022	**8,432**
Pensioners in payment at 30 September 2021	**120,463**
Additions:	
Retirements	876
Dependants' pensions	2,172
Children's pensions	32
Adjustments**	5
Reductions:	
Deaths	6,193
Commutations paid	979
Children's pensions	33
Pensioners in payment at 30 September 2022	**116,343**

* Records archived for deferred members over age 70 where Scheme are unable to trace the member.

** Re-instated pension records.

Report on the 2020 Valuation

The Scheme is exempt from the statutory scheme funding requirements for occupational pension schemes (Part 3 of the Pensions Act 2004). The funding requirements for the Scheme are instead set out in the Scheme and Rules as established by the Mineworkers' Pension Scheme (Modification) Regulations 1994 and the Guarantee Deed relating to the Mineworkers' Pension Scheme under paragraph 2(9) at schedule 5 to the Coal Industry Act 1994.

Clause 17 of the Scheme and Rules requires that the Government Actuary carries out an Actuarial Valuation of the assets and liabilities of the Scheme at least every three years.

The Scheme is split into four notional sub-funds known as the Guaranteed Fund, the Bonus Augmentation Fund, the Guarantor's Fund and the Investment Reserve. More details on the operation of these sub-funds is set out in notes 1 and 22 of these accounts.

The last Actuarial Valuation was carried out as at 30 September 2020. However, following agreement between the Committee and the Guarantor in July 2018, the valuation outcome period for the previous Actuarial Valuation in 2017 would be six years, rather than the typical three years (the "six year agreement"). This means that the results of the 2020 Actuarial Valuation did not affect outcomes for either the members or the Guarantor. Further, there were no internal asset transfers between the sub-funds following the 2020 valuation which would typically arise due to reported surpluses or deficits.

A summary of the Actuary's report of the 2020 Actuarial Valuation is on page 50 and includes details of the outcome of the valuation of each of the notional sub-funds.

A summary of the valuation results is given below:

- the deficit in the Guaranteed Fund was £34 million. In the normal course of events, this deficit would have been funded by transferring £34 million from the Investment reserve to the Guaranteed Fund. However, as per the six year agreement at the 2017 Actuarial Valuation there were no transfers of assets;
- the deficit in the Bonus Augmentation Fund was £190 million. In the normal course of events, this deficit would mean that bonuses earned after 2012 would need to start reducing via a mechanism in the Scheme Rules known as 'Standstill'. However, under the six year agreement 'standstill' did not apply at the 2020 Actuarial Valuation and the new bonuses agreed following the 2017 Actuarial Valuation continued to be paid in each of the six years from 2018 to 2023;
- the Guarantor's Fund was broadly in balance; and
- the Investment Reserve has no quantifiable liabilities, is not subject to a valuation and had a market value at 30 September 2020 of £1,227 million.

The Scheme and Rules were amended during July 2022 to bring forward some changes, previously agreed in 2020, to protect bonus pensions with immediate effect, rather than from 2024. This change meant that in 2022 members received an increase to total pensions equivalent to 11.8% of guaranteed pensions (excluding any GMP entitlement).

The bonuses due to be granted in 2022 and 2023 as a result of the six-year agreement at the 2017 valuation are designed to ensure that the total increase to pensions was at least 4.2% of guaranteed pension in 2022 and 2023. Therefore, as the total increase in 2022 was more than

4.2% of guaranteed pension, because of the agreement to bring forward bonus protection, no new bonus was paid in 2022.
The six year agreement also meant that there were no changes to the payments to be made to the Guarantor from the Guarantor’s Fund and the £142m payment to the Guarantor during the year is explained in note 22 to the accounts.

The terms of the six year agreement also meant that there would be no payments from the Investment Reserve to the Guarantor following the 2020 valuation.

Method and Significant Assumptions Adopted at the 2020 Actuarial Valuation

The Scheme's financial position is measured by comparing the current value of its assets with the Actuary's estimate of the current value of the Scheme's liabilities. The current value of the Scheme's assets can be determined at the valuation date. There are uncertainties inherent in estimating the current value of the liabilities, for example, the length of time for which a future pension might be paid, the possibility that a survivor's benefit might be paid, and the future rate of return on assets. Estimates of all these factors are used to determine the amount of assets that would be required today in order to meet, in full, the benefits members have already earned up to the date of the valuation.

The regulations require the assumptions for the Actuarial Valuation to be decided by the Actuary after consultation with the Committee and the Guarantor. The key assumptions used for the 30 September 2020 Actuarial Valuation were as follows:

Discount rate	4.50% pa nominal
Prudence margin	
Guaranteed Fund	2.00% increase in the liability value
Bonus Augmentation Fund	1.00% increase in the liability value
RPI inflation	
2021	3.90% pa
2022 to 2029	3.00% pa
2030 onwards	2.10% pa
CPI inflation	
2021 onwards	2.00% pa
Pension increases	These are derived from the inflation assumptions above in line with the Scheme and Rules
Mortality rates	Baseline mortality rates are assumed to be in line with standard tables, adjusted to reflect recent Scheme membership experience, with future improvements projected to be in line with those underlying the Office of National Statistics 2018-based principal UK population projections.

Risk Management

The Committee is responsible for the Scheme's Risk Management Framework, which includes the system of internal control, and for reviewing its effectiveness.

The Risk Management Framework is designed to manage the risk of failure to achieve the Committee's objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The RASC reviews and monitors the Risk Management Framework and makes recommendations to the Committee, where appropriate, for improvement. It assists the Committee and other Sub-committees in discharging their responsibilities in relation to financial reporting, risk management and internal controls.

A risk register is maintained by the Committee which records the assessment of applicable risks facing the Scheme together with the effectiveness of controls in place to mitigate each risk. Each Sub-committee has responsibility for ensuring that the specific risks that fall within its remit are being adequately managed. The risk register is reviewed and updated regularly.

Key risks are prioritised to enable attention to be focussed appropriately. Risk appetite measures have been established and compliance with these is monitored by the Committee.

Controls are designed to provide reasonable assurance that the assets are safeguarded against loss from unauthorised use and that benefits are paid in accordance with the Scheme and Rules.

The Committee receives assurance over the operation of the system of internal controls from internal audit and other assurance reviews, according to a programme approved and overseen by RASC.

Task Force on Climate Related Financial Disclosures

The Committee has put in place a governance framework for managing climate risks and opportunities in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations as required by new legislation. The TCFD legislation requires the Committee to have the relevant processes, knowledge, metrics and targets to consider the investment risks and opportunities associated with climate change. It also requires the Committee to report on this publicly. The legislation does not require any change to how pension schemes invest, but requires the Committee to consider these risks and opportunities and demonstrate that they are doing so.

Details of the Scheme's governance structure for managing climate risks and opportunities will be included in the Scheme's TCFD report, which will be published by 30 April 2023 on the Scheme website (http://www.mps-pension.org.uk/about-mps/responsible-investing). Climate scenario analysis has also been undertaken and the results of this analysis will be included in the reporting. It should be noted that the TCFD report does not form part of this report and falls outside of the scope of the annual audit.

The Committee has confirmed the metrics to be monitored, the target to be tracked, when these will be reviewed and who will be responsible for this review. After considering the aims of the TCFD regulation, practicalities such as data availability and the potential financial impact on the portfolio (taking account of the Committee view that climate itself is both an investment risk and a return opportunity), the Committee has selected metrics which are meaningful, practically implementable and which will help improve the investment returns through new opportunities and/or better management of risks over time. As with the governance structure, progress on metrics and targets will be reported publicly. The Committee has also considered time frames plus knowledge and resources as they pertain to climate risk and opportunity.

Statement of Trustee's Responsibilities in Respect of the Accounts

The Mineworkers' Pension Scheme is governed by the Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended. Under the Definitive Scheme and Rules, the Committee is required to obtain audited accounts. The Committee applies the accounting principles in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 (FRS 102) and makes available certain other information about the Scheme in the form of an Annual Report.

The financial statements, which comprise the Fund Account, the Statement of Net Assets and the Notes to the Accounts, are the responsibility of the Committee. The Scheme and Rules require, and the Committee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- include a statement that the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102, and as required by the Scheme and Rules include specific disclosures in respect of the sub-funds.

In discharging the above responsibilities, the Committee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Committee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee Statement on Going Concern

In accordance with Financial Reporting Standard 102 and the Statement of Recommended Practice, Financial Reports of Pension Schemes (2018), the Committee has considered whether the financial statements can be prepared on a going concern basis. The Scheme will only cease to be a going concern in a situation whereby the Trustee and the Guarantor have agreed to a winding up of the Scheme.

The Committee considers it appropriate to prepare the financial statements on a going concern basis as the Scheme benefits from the Government Guarantee, which ensures the payment of the guaranteed member benefits and, in addition, they have not entered into any discussion with the Guarantor regarding winding up of the Scheme.

Investment Report

Policy
The responsibility for setting the investment policy of the Scheme lies with the Committee. Decisions concerning the establishment of investment objectives, risk parameters and formulation of an investment strategy which seeks to achieve the objectives are made by the Committee. The ISC is responsible for overseeing the efficient implementation of the investment strategy and deciding on the most appropriate investment structure within delegated parameters. Decisions are made after consideration of advice from CPTI, the Scheme's investment adviser.

Day-to-day investment decisions are delegated to the Scheme's investment managers who are required to follow specific guidelines.

Investment Review and Performance
Overall, the year to September 2022 was difficult for financial markets. Post-Covid economic recovery drove markets to peak in December 2021. However, inflation surprises, global synchronised monetary tightening and the war in Ukraine led to increased volatility and a broad selloff in the first nine months of 2022. The 12 months to the end of September 2022 saw poor returns across many assets with some assets (e.g. government bonds) recording their worst returns for decades.

The central banks' fight to tackle inflation was a main driver for the equity and bond selloff.

Global equity markets, as measured by the FTSE All World Index, fell by -3.6% in unhedged Sterling terms and -16.6% in hedged terms, reflecting the benefits of being an unhedged Sterling investor during this period. Significant monetary tightening was also negative for UK government bonds, with the FTSE All Gilt Total Return Index falling by -23.3%. Global credit, as measured by the Bloomberg Global Aggregate Credit Total Return Index, fell by -21.5% in US Dollar terms. UK property, as measured by the IPD UK quarterly balanced property fund, outperformed other asset classes and returned a positive 13% over the year. Private market valuations held up better than public markets during the period, although valuations may adjust lower in the coming months.

Sterling was down -17% against the US Dollar over the year. The Dollar strengthened against most currencies as it benefitted from the Federal Reserve's aggressive rate hikes once it had decided that inflation was no longer transitory. The scale of the move was also driven by Sterling weakness. Towards the end of September, global investors lost confidence in the UK's public finances resulting in Sterling falling against the US Dollar to exchange rates not seen since the early 1980s. Sterling held up better against the Euro but still fell -2.2% over the year.

During the year, the main positive cashflows from private assets were sales of Global Macro, Shipping, and distributions from Private Equity. The main investments into assets over the period went to Government Bonds as the Scheme increased cash flow coverage early in Q1 2022 as the macro environment began to turn and the trustees noted that shorter-term risks had increased. Most private assets saw their allocations within the Scheme increase during the period as a result of the lagged private asset valuations, with the liquid public equity portfolio falling by over -15% in the 12-month period.

The Committee uses its custodian, The Northern Trust Company ("Northern Trust") to independently calculate Scheme performance over one, three and five-year periods as shown below.

	Scheme Return %	Benchmark %
1 Year	**-0.63**	**-4.65**
3 Years	**7.49**	**5.41**
5 Years	**7.07**	**6.09**

The benchmark is a composite of individual asset class benchmarks, weighted in accordance with the investment strategy agreed by the Committee. It provides an indication of how effectively the Scheme's investment strategy has been implemented in the period under review. During the year, the Committee reviewed the individual asset class benchmarks, in order to ensure that the comparators are as meaningful as possible. The benchmark returns over one, three and five years are lower than those of the previous benchmark.

The Scheme has outperformed the composite benchmark over one, three and five years. The Scheme outperformed the previous benchmark over one and three years, marginally underperforming (by 0.14% per annum) over five years.

The Committee invests the assets across a number of different asset classes, regions and sectors spanning many different return drivers, seeking to deliver high returns whilst also managing risk. This diversified investment approach is long-term focussed and, over short periods, the Scheme's returns can differ quite markedly from benchmark returns. Over longer periods, the differences should be smaller and the risk of failing to achieve objectives better managed.

The Scheme's investment managers and the values of investment assets held at 30 September 2022 are shown on the next page:

		£m	Total net assets £m
Cash	Cash	96	**96**
Global government bonds	BlackRock	1,409	**1,409**
Private Debt – Direct Lending	Various	544	**544**
Private Debt – Other Strategies	Various	174	**174**
Special situations debt	Various	907	**907**
Public equity	BlackRock	1,258	
	Wellington	582	
	Cantillon	547	
	Baillie Gifford	352	
	Ninety One	348	
	Genesis	239	
	Green Court Capital Management	205	
	JO Hambro	114	
	Schroder	109	**3,754**
Private equity	Various	2,017	**2,017**
Property	LaSalle	1,420	**1,420**
UK infrastructure	Dalmore	521	
	Aviva	114	
	Greencoat Solar	85	**720**
Global macro	Bridgewater	128	**128**
Other opportunities	Brevan Howard	262	
	Securis	3	**265**
Shipping	Tufton Oceanic	121	**121**
Derivatives	Legal and General	100	**100**
Residual cash, assets & liabilities			**(17)**
Total net assets as of 30 September 2022			**11,638**

The manager totals include investment debtors, creditors and investment cash.

The analysis shown in the table above is based on underlying investments. These differ from the classification used in note 7 to the accounts which have been presented in line with accounting standards.

The ten largest public equity holdings at 30 September 2022 were:

	Market Value £m	% of Total Scheme Net Assets
Alphabet	49.6	0.42%
Taiwan Semiconductor	46.5	0.40%
Tencent	42.8	0.37%
Iberdrola	35.5	0.30%
Amazon	31.5	0.27%
Tesla	31.4	0.27%
Analog Devices	31.3	0.27%
Waste Management	29.2	0.25%
Autodesk	27.3	0.23%
Meituan	26.5	0.23%
	351.6	**3.01%**

Custodial and Cash Arrangements

The Scheme's quoted securities are held by a custodian, Northern Trust, who also provides investment accounting, investment performance measurement, securities lending, derivatives and bank loan valuation, alternative assets administration and other fund services.

Northern Trust manages most sterling cash, US dollar and Euro cash balances within its Liquidity funds. The remaining cash is either deposited with Northern Trust or placed on deposit in the name of the Scheme.

The Committee’s approval is required for any borrowings in excess of agreed short-term overdraft facilities with Northern Trust and Lloyds Bank plc.

Public equities and bonds are registered in the name of nominee companies controlled by the Scheme's custodian or sub-custodians. Passively managed securities are mainly held in pooled funds, which appoint their own custodian.

Property investments are primarily registered in the name of Coal Pension Properties Ltd (CPPL) or Crucible Residential Properties Ltd (CRPL) which are nominee companies controlled jointly by the Scheme and BCSSS, together the Schemes, and incorporated for the purpose of holding title to the Scheme properties. Title deeds are held by firms of solicitors. Trust deeds between the nominee companies and the Schemes establish that the properties are held on behalf of the Schemes and which Scheme holds which property.

Special situations debt, private equity and shipping investments are held in the name of the Mineworkers’ Private Equity Trust on behalf of the Scheme.

Private debt and UK infrastructure investments are held in the name of Trustees of the Mineworkers’ Pension Scheme Limited on behalf of the Scheme.

Regular reconciliations are carried out to evidence the title and value held by the custodian with records maintained by the Scheme's investment managers.

Responsible Investing

The Committee has agreed a responsible investment policy, which covers long-term sustainability, the strategic consideration and integration of environmental, social and governance ("ESG") factors, and stewardship of the Scheme's investments.

Securities Lending

The Scheme participates in securities lending through its custodian, Northern Trust. Approved borrowers are required to provide collateral valued in excess of securities on loan. Additional controls include limits on lending to borrowers and restrictions on acceptable collateral. The Scheme also benefits from an indemnity from Northern Trust against losses on borrower default.

Investment management fees, operating and transaction costs

Investment management fees including fees deducted at source and other operating costs are monitored closely to determine whether the Scheme is getting value for money from its investment managers. The management of transaction costs and the obligation to seek best execution is the responsibility of each investment manager, with whom there is regular dialogue. During transitions of assets between managers, the responsibility for the management of transaction costs sits with the transition manager.

Derivatives

The Committee has authorised the use of equity, foreign exchange and bond index futures, credit default swaps, currency, interest rate, inflation and total return swaps. These are used by the Scheme's investment managers to contribute to the reduction of risk and to facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk). Controls in place include authorisation of permitted instruments, limits on market exposures and on total tracking errors and collateral requirements.

Northern Trust also provides an independent valuation for derivatives.

Currency Hedge

At year end exposure to all non-sterling currencies within private debt and government bonds is 100% hedged. Exposure to US dollars is 100% hedged and exposure to euros and yen are 75% hedged in relation to developed market public equity.

FUND ACCOUNT

YEAR ENDED 30 SEPTEMBER 2022

	Note	**2022 £m**	2021 £m
Contributions and benefits			
Benefits paid and payable	2	**(683)**	(691)
Payments to and on account of leavers	3	**(3)**	(3)
Payments due to the Guarantor	4	**(142)**	(142)
Administrative expenses	5	**(7)**	(6)
Net withdrawals from dealings with members and the Guarantor		**(835)**	(842)
Returns on Investments			
Investment income	6	**300**	235
Change in market value of investments	7	**(341)**	1,967
Investment management expenses	8	**(27)**	(39)
Net Returns on Investments		**(68)**	2,163
Net (decrease)/increase in the fund during the year		**(903)**	1,321
Net assets of the Scheme at the beginning of the year		**12,541**	11,220
Net assets of the Scheme at the end of the year		**11,638**	12,541

STATEMENT OF NET ASSETS

AS AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Investment assets:	7		
Equities		**3,330**	3,516
Fixed income securities	9	**1,935**	1,296
Property	10	**1,398**	1,357
Pooled investment vehicles	11	**4,417**	5,841
Derivatives	12	**223**	13
Shipping	13	**121**	241
Cash and cash equivalents		**342**	362
Other financial assets	14	**187**	102
		11,953	12,728
Investment liabilities:			
Derivatives	12	**(258)**	(77)
Other financial liabilities	14	**(35)**	(88)
Net investment assets		**11,660**	12,563
Current assets	19	**4**	2
Current liabilities	20	**(26)**	(24)
Net assets of the Scheme at 30 September		**11,638**	12,541

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take into account such obligations, is dealt with in the Report on the 2020 Actuarial Valuation included on page 50 and these accounts should be read in conjunction with that Report.

The notes on pages 23 to 45 form part of these financial statements.

These accounts were approved by the Committee on 15 March 2023.

Signed on behalf of the Committee of Management:

DocuSigned by:
....Chairman
FFDFF73E82D9490...

DocuSigned by:
....Committee Member
F374667CF294435...

Scheme Registration Number: 10058240

Notes to the Accounts

1. Accounting policies

Basis of preparation

The accounts have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidelines set out in the Statement of Recommended Practice – Financial Reports of Pension Schemes (2018) (SORP), and, as required by the Scheme and Rules include specific disclosure in respect of the sub-funds. The principal accounting policies applied in the preparation of these accounts are set out below.

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the compliance statement on page 51.

Basis of accounting

The accounts include the assets and liabilities, excluding obligations to pay pensions and benefits after the end of the Scheme year, together with the net income arising during the year. The majority of assets and liabilities are held through nominee, Trustee or subsidiary companies, limited partnerships and other pooling arrangements.

In accordance with FRS 102 and the SORP, the Trustee is not required to prepare consolidated accounts which includes subsidiary undertakings and has chosen not to do so in these financial statements, because the entities are held for investment purposes only and not as operating subsidiaries. The net assets held within these entities are included in the underlying asset class line to which they relate on the statement of net assets and a summary of those assets is shown in note 7.

Investment income

Income is recognised when the Scheme's right to receive payment is established as follows:

Income from equity investments is included in the accounts on the date when the securities are quoted ex-dividend, or where no ex-dividend date is quoted, when the Scheme's right to receive payment is established.

Income from fixed income securities, property, shipping and cash is taken into account on an accruals basis. Income from property and shipping is stated net of any expenses which relate directly to the income against which it has been incurred.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price and is reported within the change in market value. Where income is distributed it is included in investment income when the Scheme's right to receive payment is established. Distributions from pooled investment vehicles which are not split between income and realised gains are included in change in market value.

Individual transfers

Individual transfers from the Scheme during the year are recognised in the accounts on the basis of when the member liability is accepted by a registered pension arrangement.

Benefits
Benefits payable are included in the accounts on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken or, where there is no choice, on the date of retirement or leaving.

Administrative expenses and investment management expenses
Administrative expenses and investment management expenses, where they are invoiced directly, are accounted for on an accruals basis. The invoiced amounts expensed, exclude recoverable value added tax. Some investment managers deduct their fees directly from the Fund and these are reflected within the change in market value. Investment management fees which are accounted for through subsidiary undertakings are reflected in change in market value. Irrecoverable VAT is reflected within the appropriate expense heading.

Foreign currencies
Transactions in foreign currencies during the period, including purchases and sales of securities, investment income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Amounts denominated in foreign currencies at the year-end are translated into sterling, the Scheme's functional currency, at the rate of exchange ruling at the year-end date. Gains and losses on foreign currency denominated investments are shown in aggregate within the change in market value of investments to which they relate in the Fund Account. Gains and losses relating to cash are included in investment income.

Change in market value
The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investment assets and liabilities
The Statement of Net Assets includes investments at fair value and details of the valuation techniques involved in estimating fair values of certain investments are included below and in note 18.

Taxation
The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Fair value measurement
The Committee measures all of its investments at fair value at each reporting date.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. FRS 102 and the SORP require the use of a three-level hierarchy to describe the way the estimate was carried out as shown in note 18.

The methods of determining fair value for the principal classes of investments are detailed on the next page.

- Equities and fixed income securities which are traded in an active market are included at the quoted price, which is normally the bid price. Transaction costs arising on all investment purchases and sales are charged to the Fund Account within change in market value by adding to purchase costs and netting against sale proceeds, as appropriate for all investment types.

- The fair value of fixed income securities which comprise various types of debt instruments which are unquoted or not actively traded on a quoted market are either based on advice from the respective investment manager or are evaluated by pricing vendors using financial models and comparable security data.

- The value of shipping and pooled investment vehicles which are unquoted or not actively traded on a quoted market, are valued by the respective investment manager. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value. Where the last valuation provided by the investment manager is prior to the year-end, the valuation is adjusted for cash flows in the intervening period.

- Unitised pooled investment vehicles comprising unit linked insurance policies which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are substantially traded on all pricing days, are included at the last price provided by the manager at or before year-end.

- Property is valued at open market value as at 30 September 2022, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by Cushman and Wakefield (C&W), Chartered Surveyors, an external independent valuer with recognised and relevant professional qualifications who has recent experience of the locations and types of properties held by the Scheme, taking account of, amongst other things, the current estimate of rental values and market yield.

- Futures are contractual arrangements to buy or sell a specified financial instrument at a specific price at a predetermined future date, are traded in standardised amounts on regulated exchanges, and are subject to daily cash margin requirements. They are valued at the fair value as determined by the closing exchange price as at the year-end.

- Forward foreign exchange contracts are customised contracts transacted in the OTC market. They are valued by determining the gain or loss that would arise from closing out the contract at the year-end by entering into an equal or opposite contract at that date.

- Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. Exchange traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year-end.

Other investment arrangements
The Committee continues to recognise assets it has lent under securities lending arrangements to reflect its ongoing interest in those securities. Collateral received in respect of these arrangements is disclosed in note 16 but not recognised as a Scheme asset.

Collateral payments in respect of OTC derivative contracts and initial margin deposits in respect of futures contracts are reported within cash.

Sub-funds
The Scheme is notionally split into four sub-funds; Guaranteed Fund, Bonus Augmentation Fund, Guarantor's Fund and Investment Reserve, in accordance with the Scheme and Rules as established by the Mineworkers' Pension Scheme (Modification) Regulations 1994. Movements between the sub-funds, as calculated by the Actuary, are recognised following completion of the latest Actuarial Valuation as required by the Scheme and Rules. Bonus pensions payable are charged to the Bonus Augmentation Fund on an accruals basis. Each of the sub-funds is allocated annually a proportional share of income, expenses and movements in asset values as shown in note 22.

2. Benefits paid and payable

	2022	2021
	£m	£m
Pensions	**512**	512
Dependant benefits	**151**	153
Lump sum retirement benefits	**20**	26
	683	691

3. Payments to and on account of leavers

	2022	2021
	£m	£m
Individual transfers to other schemes	**3**	3

4. Payments to the Guarantor

	2022	2021
	£m	£m
Payments to the Guarantor	**142**	142

Details of the above payments and future payments to be made to the Guarantor are shown in notes 21, 22 and 23.

5. Administrative expenses

	2022	2021
	£m	£m
Pension administration	**5**	5
Legal, actuarial and other fees	**2**	1
	7	6

6. Investment income

	2022	2021
	£m	£m
Dividends from equities	**89**	53
Income from fixed income securities	**49**	52
Property rents (net of expenses)	**63**	59
Income from pooled investment vehicles	**79**	45
Income from shipping (net of expenses)	**16**	25
Interest on cash deposits and margin accounts	**2**	-
Other	**2**	1
	300	235

Property expenses of £9 million (2021: £14 million) were deducted from property income. Shipping expenses of £32 million (2021: £40 million) were deducted from shipping income.

7. Investments

	Value brought forward at 1 October 2021	**Reallocation of investments**	**Purchases at cost and derivative payments**	**Sale proceeds and derivative receipts**	**Change in market value**	**Value carried forward at 30 September 2022**
	£m	£m	£m	£m	£m	£m
Equities	3,516	(221)	11,432	(10,741)	(656)	3,330
Fixed income securities	1,296	15	1,162	(659)	121	1,935
Property	1,357	-	58	(26)	9	1,398
Pooled investment vehicles	5,841	221	2,189	(4,332)	498	4,417
Derivatives	(64)	-	709	(336)	(344)	(35)
Shipping	241	15	-	(158)	23	121
	12,187	30	15,550	(16,252)	(349)	11,166
Cash and cash equivalents	362	(32)			10	342
Other financial assets and liabilities	14	2			(2)	152
	12,563	**-**			**(341)**	**11,660**

Investment assets in the table above have been reallocated during the year to better reflect their underlying legal nature.

The net assets of subsidiary undertakings included in the table above at year end, through which the scheme holds investments are summarised in aggregate on the next page.

	2022	2021
	£m	£m
Fixed income securities	**386**	516
Pooled investment vehicles	**392**	253
Shipping	**121**	256
	899	1,025

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of costs are as follows:

	Commissions and Fees	Total 2022	Total 2021
	£m	£m	£m
Equities	**6**	**6**	2
Property	**1**	**1**	3
Shipping	**5**	**5**	-
	12	**12**	5

In addition to the transaction costs disclosed above, the Scheme also incurs indirect transaction costs through the bid-offer spread on investments.

8. Investment management expenses

	2022	2021
	£m	£m
Administration, management and custody	**22**	34
Other advisory fees	**5**	5
	27	39

Other advisory fees include £2.2 million (2021: £2.4 million) of costs relating to CPTI, the Scheme's investment adviser. Also included in other advisory fees are £2.1 million (2021: £1.7 million) of legal and other third-party adviser costs.

Investment management expenses of subsidiary undertakings previously reported in administration, management and custody are now included in change in market value as described in note 1.

9. Fixed income securities

	2022	2021
	£m	£m
Bonds	**1,391**	694
Loans	**544**	602
	1,935	1,296

Loans comprise secured loans made direct to entities through four investment managers, principally to businesses based in the UK, continental Europe and the US. Loans are not traded on an active market which may restrict the ability of the Scheme to realise them at short notice.

10. Property

	2022	2021
	£m	£m
UK property	**1,398**	1,357

11. Pooled investment vehicles

	2022	2021
	£m	£m
Equities	**205**	2,116
Debt	**1,081**	899
Private equity	**2,118**	1,892
Infrastructure	**720**	684
Hedge funds	**290**	248
Insurance	**3**	2
	4,417	5,841

Pooled investment vehicles include holdings in UK and overseas equities, bonds, loans, derivatives, infrastructure, insurance and hedge funds. The underlying investments of the debt investments are principally loans made to companies in Europe and the US. Global and UK infrastructure, private equity, debt and insurance investments are not traded on an active market which may restrict the ability of the Scheme to realise them at short notice.

The descriptions of the investments in the note above have been revised to reflect SORP guidance more accurately.

The Scheme is sole investor in two UK infrastructure pooled arrangements valued at £507 million in aggregate (2021: £441 million). The underlying assets and liabilities of these arrangements are as follows:

	2022	2021
	£m	£m
Non-current assets	**493**	430
Current assets	**17**	12
Current liabilities	**(3)**	(1)
	507	441

The Scheme is also sole investor in two special situation debt funds valued at £102 million in aggregate (2021: £110 million).

12. Derivative contracts

	2022 £m	2021 £m
Assets		
Forward foreign exchange contracts	**45**	13
Options	**178**	-
Liabilities		
Forward foreign exchange contracts	**(192)**	(75)
Futures contracts	**(18)**	(2)
Options	**(48)**	-
Net derivative contracts	**(35)**	(64)

Objectives and policies for holding derivatives

The Committee has authorised the use of derivative financial instruments by its investment managers as follows:

- Forward foreign exchange contracts are used to provide the Scheme with protection against changes in exchange rates which may adversely affect the value of overseas investments in foreign currencies.

- Futures contracts are used to provide the Scheme with exposure to the equity and bond markets.

- Option contracts have been entered into in order to provide protection for the Scheme's exposure to equities should adverse market movements arise.

Forward foreign exchange contracts	**Bought £m**	**Sold £m**	**Asset £m**	**Liability £m**
Euro	157	(553)	2	(13)
Sterling	5,308	(1,985)	-	-
US Dollar	1,766	(4,641)	40	(174)
Yen	77	(261)	3	(5)
Other	-	(15)	-	-
	7,308	**(7,455)**	**45**	**(192)**

The above table aggregates the exposures to currencies acquired or sold through over the counter forward foreign exchange contracts at year end sterling values.

Futures contracts
The Scheme holds long index futures contracts with economic exposure of £168 million (2021: £88 million). They expire within 3 months of year-end and are held on various global market indices. The market values of these positions are a liability of £18 million (2021: £2 million).

Options

Type of option	**Expiration**			**Notional principal**	**Asset**	**Liability**
				£m	**£m**	**£m**
Equity options	1 year			602	178	(48)

13. Shipping

	2022	2021
	£m	£m
Shipping	**121**	241

The Scheme's shipping investments are held through wholly owned subsidiary undertakings.

14. Other financial assets and liabilities

	2022	2021
	£m	£m
Amounts due from brokers	**158**	51
Other debtors	**2**	34
Outstanding income and withholding tax	**27**	17
Amounts due to brokers	**(13)**	(34)
Other creditors	**(22)**	(54)
	152	14

15. AVC Investments

Members' additional voluntary contributions (AVCs) are invested separately from the Scheme in investments administered by the Prudential Assurance Company Limited. The value of the AVC fund is included in other financial assets, and movements in the AVC fund value are included in the Fund Account. The AVC fund value at 30 September 2022 was £0.1 million (2021: £0.1 million).

16. Securities Lending

The Scheme participates in public equity and fixed income securities lending through its custodian, Northern Trust. Approved borrowers are required to provide collateral valued in excess of securities on loan. The value of securities on loan and the collateral provided is shown in the table below.

	Securities on loan 2022	**Collateral provided 2022**	Securities on loan 2021	Collateral provided 2021
	£m	**£m**	£m	£m
Equities	**127**	**134**	128	134
Fixed income securities	**259**	**272**	167	171
	386	**406**	295	305

17. Concentration of investments
There are no investments in funds as at 30 September 2022 (2021: £Nil) which account for more than 5% of the Scheme's net assets.

18. Fair value hierarchy of assets and liabilities
FRS 102 requires the disclosure of financial instruments held at fair value by class under the following hierarchy:

- Level 1 - the unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;

- Level 2 - inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;

- Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair value hierarchy of investment assets and liabilities 2022

	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Equities	3,330	-	-	**3,330**
Fixed income securities	-	1,391	544	**1,935**
Property	-	-	1,398	**1,398**
Pooled investment vehicles	-	205	4,212	**4,417**
Derivatives	(17)	(18)	-	**(35)**
Shipping	-	-	121	**121**
Cash and cash equivalents	148	194	-	**342**
Other financial assets and liabilities	152	-	-	**152**
	3,613	1,772	6,275	**11,660**

Fair value hierarchy of investment assets and liabilities 2021

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Equities	3,516	-	-	**3,516**
Fixed income securities	-	693	603	**1,296**
Property	-	-	1,357	**1,357**
Pooled investment vehicles	-	2,116	3,725	**5,841**
Derivatives	(2)	(62)	-	**(64)**
Shipping	-	-	241	**241**
Cash and cash equivalents	88	274	-	**362**
Other financial assets and liabilities	14	-	-	**14**
	3,616	3,021	5,926	**12,563**

Valuation techniques

Equities
Equities are normally quoted at bid prices which are readily available and regularly occurring in active markets from relevant securities exchanges. These are included at level 1 in the fair value hierarchy.

Fixed income securities
The Committee invests in fixed income securities (bonds) which are traded regularly on an active market. They are included at levels 1 and 2 in the fair value hierarchy. In the absence of a quoted price in an active market, bonds which are investment grade, are valued on a 'clean' basis which excludes accrued interest using observable market data such as recently executed transaction prices of securities of the issuer or comparable issuers. They are included at level 2 in the fair value hierarchy.

Secured loans described in note 9 are valued by the investment managers using discounted cash flow techniques for which significant inputs are the amount and timing of future expected cash flows, market yields, current performance and recovery assumptions and applicable publicly available comparable company valuations. These are included at level 3 within the fair value hierarchy.

Property
The valuation of investment property at the Scheme's year end is performed by C&W who are an external, independent valuer with current knowledge of the relevant markets and the skills and understanding to undertake the valuations competently.

For properties in the course of development, construction and associated costs in respect of both the work completed and the work necessary for completion together with a completion date have been considered. Valuations of completed buildings have been based on an assumption that all works of construction have been carried out in accordance with the building contract and specifications, current British standards and any relevant codes of practice.

The properties have been valued at market value which is primarily derived using comparable recent market transactions on arm's length terms and has taken account of current and estimated annual rents receivable and market yields such as net initial yield, nominal equivalent yield and true equivalent yield. Property investments are included at level 3 in the fair value hierarchy.

Pooled investment vehicles
Pooled investment vehicles which are traded regularly are included at levels 1 and 2 of the fair value hierarchy. The prices are published by the pooled investment vehicle manager at bid price on a daily or weekly basis.

Unquoted pooled investment vehicles are reported using the net asset value (NAV) of the fund. The NAV is determined by the pooled investment vehicle manager using fair value principles to value the underlying investments of the pooled arrangement. These investments, which can also be subject to redemption notice periods and are not traded regularly, are included at level 3 of the fair value hierarchy.

Derivatives

Exchange traded future contracts are stated at fair value using market quoted prices. These are included at level 1 in the fair value hierarchy.

The investment managers use valuation models which incorporate foreign exchange spot and forward rates and interest rate curves for determining fair values of OTC forward foreign exchange contracts. The valuation techniques include forward pricing using present value calculations and other inputs into these models. These investments are included at level 2 in the fair value hierarchy.

The fair value for OTC options is determined using corroborative indicative quoted prices for closing out the options as at the year-end. These are included at level 2 in the fair value hierarchy.

Shipping

With the exception of one vessel, the fair value of shipping investments is derived by obtaining a broker valuation for the vessels. The broker valuation uses the sales comparison approach which is then adjusted by the investment manager for differences in key attributes such as vessel type, features, age, cargo, capacity and potential freight earnings. For the vessel where a broker valuation is not available, the investment manager has determined the value using a discounted cash flow model where significant inputs are the amount and timing of expected future charter income. At year end five of the vessels which are considered held for sale have been valued at anticipated net sales price. Shipping investments are included at level 3 in the fair value hierarchy.

Cash and cash equivalents

The Committee holds some Scheme cash in sterling liquidity funds. These funds are pooled investment vehicles which are traded regularly and are included at level 2 in the fair value hierarchy. Cash held in interest bearing bank accounts is held at level 1 in the fair value hierarchy.

19. Current assets

	2022	2021
	£m	£m
Cash at bank	**3**	1
Other debtors	**1**	1
	4	2

20. Current liabilities

	2022	2021
	£m	£m
Tax and VAT	**4**	7
Other creditors and unpaid benefits	**22**	17
	26	24

21. Related party transactions

The Secretary of State for Energy Security and Net Zero acts as Guarantor to the Scheme. A payment was made to the Guarantor during the year of £142 million from the Guarantor's fund in respect of surpluses in earlier years (2021: £142 million).

The Scheme holds units in a pooled investment fund which invests in UK Government Bonds and is valued at £338 million (2021 £174 million

During the year the Scheme paid £483,527 (2021: £439,786) to the Government Actuary's Department (GAD) for provision of actuarial services.

Four members of the Committee were in receipt of a pension from the Scheme. The aggregate amount paid was £57,209 (2021: four members, £55,307).

Members of the Committee are entitled to receive remuneration from the Scheme. The total remuneration paid in the year was £334,376 (2021: £326,875) and is detailed in the Report of the Committee of Management.

CPT is jointly owned by the Scheme and BCSSS with each appointing four members of their Committees of Management as directors. CPT costs, which are in respect of support services, are included within pensions administration costs in note 5 and were £2.1 million (2021: £2.0 million). CPTI costs, which are in respect of investment advisory services, are included within other advisory fees in note 8 and were £2.2 million (2021: £2.4 million).

The Scheme and BCSSS jointly invest in properties and partnerships with a value to the Scheme of £210 million (2021: £199 million).

22. Market value of sub-funds

The movements on the sub-funds during the year, as confirmed by the Actuary, are set out below:

	Guaranteed Fund £m	Bonus Augmentation Fund £m	Investment Reserve £m	Guarantor's Fund £m	Total Assets £m
Market values at 30 September 2021	**8,289**	**1,971**	**1,474**	**807**	**12,541**
Payments to the Guarantor	-	-	-	(142)	**(142)**
Benefits paid	(528)	(158)	-	-	**(686)**
Allocation of income, expenses and movement in net asset values	(48)	(12)	(10)	(5)	**(75)**
Market values at 30 September 2022	**7,713**	**1,801**	**1,464**	**660**	**11,638**

As explained in note 1, the Scheme is notionally split into four sub-funds in accordance with the Scheme and Rules as established by the Mineworkers' Pension Scheme (Modification) Regulations 1994. The basis of each sub-fund is as set out below:

Guaranteed Fund - this is used to fund the pensions which accrued before the Scheme was restructured in October 1994, including the benefit improvements which were made immediately prior to restructuring. Such pensions are guaranteed to increase in line with inflation. A deficit in the Guaranteed Fund at any Actuarial Valuation on or after 30 September 2023 is met first by a call on the Investment Reserve. The Committee and Guarantor will then consult on the sub-fund transfers and amounts and timing of payments from the Guarantor required to meet any remaining deficit. If the Committee and Guarantor cannot agree a payment schedule, then the Actuary will decide upon one. Any surplus in the Guaranteed Fund at any Actuarial Valuation on or after 30 September 2023 is first used to repay any previous transfers from the Investment Reserve, with any remaining surplus thereafter being split equally between the Bonus Augmentation Fund and the Guarantor's Fund.

Bonus Augmentation Fund - this represents the members' share of surpluses arising from Actuarial Valuations since 1994 and is used to fund bonus pensions, and discretionary benefits in extreme and exceptional circumstances. A deficit in this Bonus Augmentation Fund at any Actuarial Valuation after 30 September 2023 would lead to any bonuses awarded after 2023 being restructured and becoming reducing amounts over time. All bonuses in payment on 29 September 2023 are protected from such restructuring and will continue to be paid at the same level following a deficit.

Investment Reserve - this originally represented the Guarantor's share of surpluses present in the Scheme at the time of restructuring in 1994. It is intended that any remaining balance on the Investment Reserve will be paid to the Guarantor, but whilst it remains in the Scheme it can be used to support the Guaranteed Fund as described on the previous page.

Guarantor's Fund - this represents the Guarantor's share of surpluses arising from Actuarial Valuations since 1994, which prior to 23 September 2020, had to be paid out to the Guarantor over ten years. Following the September 2017 valuation, the Actuary recommended that from 1 October 2018 the six outstanding payments to the Guarantor, arising from the March 2013 interim valuation, should be increased from £30.3 million to £37 million and the seven outstanding payments, arising from the September 2014 valuation, should be increased from £20.7 million to £25.2 million. A new series of ten annual payments of £80.2 million, arising from the September 2017 valuation also commenced from 1 October 2018. A payment of £142.4 million (being £37 million, £25.2 million and £80.2 million) made on 1 October 2021 is shown in the table on the previous page. With effect from 23 September 2020, at each Actuarial Valuation from 30 September 2023 onwards, or at other times requested by the Guarantor, the Committee and the Guarantor will consult on amounts and timings of payments from the Guarantor's Fund. If the Guarantor and the Committee cannot agree a payment schedule, then the Actuary will decide upon one.

23. Forward commitments and contingent liabilities not provided for in the accounts

Forward commitments comprise expenditure on investments authorised and contractually committed before the year end which is not provided for in the accounts as it is not yet due. This includes investments in private equity of £600 million (2021: £513 million), debt funds of £696 million (2021: £480 million) and UK infrastructure of £14 million (2021: £30 million) included within the pooled investment vehicles mandate. There were further commitments of £76 million (2021: £65 million) of loans included within the fixed income securities mandate and property and development costs of £3 million (2021: £10 million).

Forward commitments in relation to property purchases and development costs will be paid within approximately twelve months of the year-end whilst the infrastructure, special situations debt and loan commitments will be paid within two to three years. The timing of private equity funding is uncertain, but it is assumed that £198 million (33%) will fall due in the next twelve months and the remaining £402 million in later years.

The Guarantor's share of any actuarial surplus is distributed in line with an agreed payment schedule, which from 23 September 2020, is subject to review at each actuarial valuation from 30 September 2023 onwards, or at other times requested by the Guarantor. During the financial year the Guarantor received payments of £142.4 million (being £37 million, £25.2 million and £80.2 million as described in note 22) and a further £142.4 million was paid on 1 October 2022. Under the current payment schedule in place, £142.4 million is payable in 2024, a payment of £105.4 million is payable in 2025 and £80.2 million is payable in each of the three years from 2026 to 2028. The remaining balance of the Investment Reserve is due to be repaid to the Guarantor by 2029 unless the Guarantor, after consultation with the Committee, resolves to bring the repayment forward to 2024.

24. GMP equalisation
As noted on page 9 in the Report of the Committee of Management, in October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension should be recalculated where necessary to reflect the requirement for the equalisation of overall benefits between May 1990 and April 1997 as between men and women. In November 2020, a further ruling by the High Court determined that trustees are liable for any top-up required to transfers out of a scheme in respect of members who had contracted out of the state second pension to reflect the equalisation of overall benefits between May 1990 and April 1997 as between men and women where the transfer was made under the cash equivalent transfer value legislation. The Committee is aware of a potential liability in respect of GMP Equalisation and continues to liaise with the Scheme's professional advisers to establish the financial impact on the Scheme. However, on the basis that the additional liability is not expected to have a material impact upon the Scheme, the Committee has decided not to include a specific provision for GMP Equalisation in these financial statements. As soon as the impact of the ruling on the Scheme is finalised and any related Scheme liability quantified, a liability will be included in the Scheme financial statements.

25. Investment risk and management objectives and policies
FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

- **Other price risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments the Committee makes to implement its investment strategy. The Committee seeks to maintain a portfolio of suitable assets with sufficient overall liquidity which will maximise total pensions for all members over the full life of the Scheme. As such the Committee’s primary investment objective is to achieve the returns required to do this, subject to risks remaining within tolerances that the Committee establishes from time to time.

The Committee bases its investment views on an assessment of the economic situation, economic scenarios, and the valuation of assets through time. As a result, the actual asset allocation will change through time, as a result of changes to the underlying valuation of different assets, the economic situation and the investment opportunities available. There are control ranges for each asset category to ensure the overall asset portfolio is sufficiently diversified.

Asset liability modelling and other forms of risk analysis are used to estimate the return expectations of the portfolio and the risks that the Committee is taking in seeking to achieve the investment objective.

Consistent with the above objective and investment views, and given the high cash flows that the Scheme has to manage, the Committee's investment strategy is defined below.

1. **Principle:** to maximise future bonus pensions by delivering high growth through
   a. maximising the price at which assets are sold to meet payments out of the Scheme; and
   b. investing in assets that grow.

2. **Disinvestment or sales parameters:**
   a. **Income:** minimum level of income from assets of £225 million per annum.
   b. **Illiquid assets sales:** minimum of £500m per annum of net cash flows from illiquid asset sales or distributions.
   c. **Cash flow coverage:** holding sufficient low risk assets that provide options for raising cash to pay at least 12 months of benefit and other payments out of the Scheme.

3. **Investment parameters and diversification:** reducing illiquidity over time and asset categories to remain within tolerance ranges established from time to time by the Committee.

The strategy is implemented and assets managed under investment management agreements in place with the Scheme's investment managers and monitored by the Committee by regular reviews of the investment portfolios. Further information on the Committee's approach to investment strategy and risk management and the Scheme's exposures to credit and market risks are set out below.

Credit risk

The Scheme is subject to credit risk because it directly invests in fixed income securities, OTC derivatives, holds cash balances and undertakes securities lending activities.

The Committee also invests in pooled investment vehicles and is therefore directly and indirectly exposed to credit risk in relation to the instruments it holds in the pooled fund. This is a result of the Committee being dependent on the pooled investment vehicle manager for delivery of the cash flows and for buying and selling of the shares within the pooled arrangement. The Scheme is also indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, and the notes below, which explain how this risk is managed and mitigated for the different classes:

2022	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Credit risk				
Fixed income securities	1,053	-	882	**1,935**
Pooled investment vehicles	-	-	4,417	**4,417**
Securities lending – collateral cash	145	-	-	**145**
Cash and cash equivalents	342	-	-	**342**
	1,540	-	5,299	**6,839**

2021	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Credit risk				
Fixed income securities	693	1	602	**1,296**
Pooled investment vehicles	-	-	5,841	**5,841**
Securities lending – collateral cash	196	-	-	**196**
Cash and cash equivalents	362	-	-	**362**
	1,251	1	6,443	**7,695**

Fixed income securities include a broad range of quoted and unquoted securities, including bonds and loans. Credit risk arising on bonds is mitigated by investing in securities which are rated at least investment grade in accordance with those deemed so by the major ratings agencies or investing in a portfolio of securities where the average credit quality of the portfolio is at least investment grade and limiting the net credit exposure to unrated securities and those below investment grade to 10% of the portfolio's value.

Credit risk on secured loans which are unrated is mitigated by the credit analysis and due diligence work undertaken by the respective investment managers. They ensure that there is adequate security covenant against the loans and there are guidelines within their mandate that require diversification within the portfolio by region, sector and issuer. In the event that a loan becomes impaired and a credit event occurs the investment managers undertake any restructuring processes necessary to protect the interests of the Scheme.

The Committee also manages the credit risk arising on fixed income securities by requesting the investment managers to diversify the portfolio by sector, industry and issuer and limit investments to any one issuer.

The Scheme is directly exposed to credit risk in relation to the units it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held within the vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangement being ring-fenced from the pooled manager. The Committee ensures that due diligence checks are undertaken on the appointment of any new pooled investment vehicle managers and any changes to the regulatory and operating environment of the manager is monitored on an ongoing basis. The indirect risk is mitigated by the Committee investing in regulated markets and pooled arrangements where the portfolio of investments is diversified.

As detailed in note 11 the Scheme is sole investor in four pooled investment arrangements and whilst it is indirectly exposed to credit risk in relation to the units held in these financial arrangements, there is further direct exposure to credit risk arising in relation to the underlying investments in the two special situations debt pooled investment vehicles.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2022	2021
	£m	£m
Unit linked insurance contracts	**-**	2,116
Partnership interests	**4,417**	3,725
	4,417	5,841

Credit risk on OTC derivative contracts (which include forward foreign exchange contracts and options) arises due to them not being traded on a regulated exchange and therefore the Scheme is subject to the risk of failure of the counterparty. The credit risk for OTC options contracts is mitigated through collateral arrangements and ensuring all transactions in financial instruments are with reputable counterparties.

Cash is held with financial institutions which are at least investment grade credit rated.

As explained in the Investment Report the Scheme participates in securities lending to approved borrowers who are required to provide collateral valued in excess of securities on loan. The Committee re-invests cash collateral received. Credit risk arising is managed by re-investing in permissible securities only, limiting the amount that can be re-invested with a given issuer, re-investing in securities that mature within agreed time limits and have a minimum rating as provided by the major ratings agencies.

Currency risk
The Scheme is subject to currency risk because some of the investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The table on the next page summarises the Scheme’s net unhedged exposure by major currency at the year-end.

	2022	2021 Reanalysed
	£m	£m
Direct currency risk		
Australian dollar	**43**	12
Chinese yuan	**91**	52
Danish krone	**57**	12
Hong kong dollar	**232**	286
Indian rupee	**104**	122
Japanese yen	**45**	26
South Korean won	**54**	60
Swiss franc	**72**	41
Taiwan dollar	**89**	108
US dollar	**287**	1,053
Other currencies	**263**	354
Indirect currency risk		
Pooled investment vehicles	**3,286**	3,213
	4,623	5,339

Given the changes in levels of unhedged foreign currency amounts year on year, the table above has been reanalysed to disclose the ten largest balances for the current year and the comparative amounts for the previous year.

The Committee receives advice from CPTI regarding the management of currency risk which assists it in agreeing a currency hedging policy for the respective currency and asset class.

The Committee typically limits overseas currency exposure by hedging a proportion of the overseas investments' currency risk within agreed limits using forward foreign exchange contracts. The currency exposures within private debt and government bonds are fully hedged at the reporting date. Within the developed markets public equity mandate, exposure to US dollars is fully hedged and exposure to euros and yen are 75% hedged.

Interest rate risk

The Scheme is subject to interest rate risk because some investments are held in fixed income securities and debt included within pooled investment vehicles. The value of these investments is impacted by changes in interest rates which use valuation techniques where interest rates are an input. Loans included within the fixed income securities mandate and debt within the pooled investment vehicles are all based on floating interest rates and therefore carry negligible interest rate risk.

The table on the next page summarises the Scheme's exposure to interest rate risk at the year-end.

	2022	2021
	£m	£m
Interest rate risk		
Fixed income securities	**1,935**	1,296
Pooled investment vehicles	**1,081**	899
	3,016	2,195

Other price risk

Direct price risk arises principally in relation to equities, property and shipping. Indirect price risk arises in relation to equity and infrastructure investments held within pooled investment vehicles.

The table below summarises the Scheme's exposure to other price risk at the year-end.

	2022	2021
	£m	£m
Direct price risk		
Equities	**3,330**	3,516
Property	**1,398**	1,357
Shipping	**121**	241
Indirect price risk		
Equity pooled investment vehicles	**2,323**	4,008
Infrastructure pooled investment vehicles	**720**	684
	7,892	9,806

The Committee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

26. Related undertakings of Mineworkers' Pension Scheme

In accordance with The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, a full list of related undertakings, the country of incorporation and the percentage of share class owned as at 30 September 2022 is disclosed on the next page. All undertakings are indirectly owned by MPS other than those indicated.

Name of undertaking	Country of incorporation	Share class	% held by MPS
Trustees of the Mineworkers' Pension Scheme Ltd[1]	England & Wales	Limited by guarantee	100[11]
Coal Pension Trustees Services Ltd[1]	England & Wales	£1.00 A Ordinary shares[10]	100
Coal Pension Trustees Investments Ltd[1]	England & Wales	£1.00 Ordinary shares	50
Globe Investments UK Ltd[1]	England & Wales	£1.00 Ordinary shares	50
Coal Pension Venture Nominees Ltd[2]	England &Wales	Limited by guarantee	50[11]
Coal Pension Securities Nominees Ltd 1[3]	Guernsey	Limited by guarantee	50[11]
Coal Pension Properties Ltd[4]	England & Wales	Limited by guarantee	50[11]
Crucible Residential Properties Ltd[4]	England & Wales	£1.00 Ordinary shares	50
MPS Property Holding Ltd[4]	England & Wales	£1.00 Ordinary shares	100
MPS Property GP Ltd[4]	England & Wales	£1.00 Ordinary shares	100
MPS Wembley Limited Partnership[4]	England & Wales	Limited Partnership	100
MPS Norwich Limited Partnership[4]	England & Wales	Limited Partnership	100
Greengate GP Limited Liability Partnership[4]	England & Wales	£1.00 Ordinary shares	54.5
Greengate (Manchester) Limited Partnership[4]	England & Wales	Limited Partnership	54.5
Greengate (Manchester) Nominee Limited[4]	England & Wales	£1.00 Ordinary shares	54.5
Exchange (Birmingham) Limited Partnership[4]	England & Wales	Limited Partnership	55.8
Exchange GP Limited Liability Partnership[4]	England & Wales	£1.00 Ordinary shares	55.8
Harworth Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Filly Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Bronco Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Mykonos Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Anna Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Porto Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Husum Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL MGC Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Huey Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
HSL Louie Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
MPS AAIP Cayman Feeder Ltd[6]	Cayman Islands	$1.00 Ordinary shares	100
MPS AEPF3 Ltd[6]	Cayman Islands	$1.00 Ordinary shares	100
MPS AIX Ltd[6]	Cayman Islands	$1.00 Ordinary shares	100
MPS SSD Ltd[7]	Cayman Islands	$1.00 Ordinary shares	100
MPS Investments Ltd[8 and 12]	Jersey	$1.00 Ordinary shares	100
MPS Holdco UK Ltd[9]	England & Wales	£1.00 Ordinary shares	100

The registered office addresses of the above undertakings are as follows:

[1] Ground Floor, Ventana House, 2 Concourse Way, Sheaf Street, Sheffield, S1 2BJ.
[2] C/o Hackwoood Secretaries Ltd, One Silk Street, London, EC2Y 8HQ.
[3] East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP.
[4] One Curzon Street, London, W1J 5HD.
[5] St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.
[6] c/o Maples Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY-1104, Cayman Islands.
[7] c/o Walkers Corporate Services Ltd, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.
[8] Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.
[9] Forum 3 Solent Business Park, Whitely, Fareham, Hampshire, PO15 7FH.
[10] Coal Pension Trustees Services Ltd is a jointly owned entity of the Scheme and BCSSS. MPS holds 100% of the £1.00 A Ordinary shares of Coal Pension Trustees Services Ltd. BCSSS holds 100% of the £1.00 B Ordinary shares of Coal Pension Trustees Services Ltd.
[11] Entity held directly by the Scheme.
[12] Formerly MPS Investments Sárl; this company was re-domiciled in Jersey and renamed.

Independent auditor's report to the Trustee of the Mineworkers' Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the Mineworkers' Pension Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2022 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Clause 14 of the Scheme and Rules in respect of specific disclosure in relation to the sub-funds.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances on non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed on the next page.

We considered the nature of the Scheme's industry and its control environment, and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and Coal Pension Trustee Services Ltd about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended, Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed among the audit engagement team, including relevant internal specialists such as financial instruments and real estate specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee and Coal Pension Trustees Services Ltd concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and sub-committee meetings and reviewing internal audit reports.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 and as subsequently amended. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
Date: 15 March 2023

SUMMARY OF THE ACTUARIAL REVIEW AS AT 30 SEPTEMBER 2020

An actuarial review of the Scheme is carried out by the Government Actuary usually once every three years. The latest review was carried out as at 30 September 2020, and is described in my report dated 8 October 2021. A summary of the results of the 2020 review is set out below.

The main purpose of a review is to determine whether there is a surplus or a deficiency in each of the Scheme's sub-funds by comparing the assets to the liabilities. The four sub-funds are:

- the **Guaranteed Fund** which pays the guaranteed pensions that accrued up to 1994. Under the terms of an agreement reached in 1994, any surplus arising in the Guaranteed Fund is shared equally between the members via the Bonus Augmentation Fund and the Guarantor via the Guarantor's Fund
- the **Bonus Augmentation Fund** which finances the award of new bonus pensions to members since 1994
- the **Guarantor's Fund** which finances phased payments to the Guarantor
- the **Investment Reserve** which contains the share of the unapplied surplus which was allocated to British Coal at the 1993 review and acts as a buffer against adverse experience in the Guaranteed Fund

Following agreement between the Trustee and the Guarantor, the valuation outcome period for the previous review in 2017 is six years, rather than the typical three years. This means that the results of the 2020 actuarial review do not affect outcomes for either the members or the Guarantor. Further, there are no internal asset transfers between the subfunds following the 2020 valuation which would typically arise due to reported surpluses or deficits.

Sub-fund results at 30 September 2020

	Assets £m	**Liabilities £m**	**Surplus / (Deficit) £m**	**Comment**
Guaranteed Fund	7,394	7,428	(34)	The Guaranteed Fund had a small deficit of £34 million.
Bonus Augmentation Fund	1,785	1,975	(190)	The Bonus Augmentation Fund had a deficit of £190 million.
Guarantor's Fund	814	812	2	The Guarantor's Fund was broadly in balance.
Investment Reserve	1,227	N/a	N/a	Assets in the Investment Reserve stand at £1,227 million (no debt is owed by the Guaranteed Fund).

Outcome of the 2020 actuarial review

As described above the results of the 2020 valuation do not affect outcomes for either the members or the Guarantor. This means the outcomes from the previous review in 2017 remain unchanged namely:

- **Members**: Each member's total pension will continue to increase annually by at least 4.2% of their guaranteed pension (excluding any Guaranteed Minimum Pension) up to 2023.
- **Guarantor:** The Guarantor will continue to receive payments from the Guarantor's Fund of £142.4m in each of the three years from 2021 to 2023. No new payment streams to the Guarantor have been established in respect of the 2020 valuation and no payments will be made to the Guarantor from the Investment Reserve as part of the 2020 valuation.
- No transfer from the Investment Reserve will be made at the 2020 valuation to cover the deficit

The valuation results depend on the value of the Scheme assets at the valuation date as well as on the assumptions made; the most important being the assumed rates of investment return and inflation, and the future mortality rates.

Martin Clarke, Fellow of the Institute and Faculty of Actuaries
Government Actuary
29 October 2021

Compliance Statement

This statement is included to comply with recommendations contained in the Statement of Recommended Practice ‘Financial Reports of Pension Schemes’ (revised 2018), issued by the Pensions Research Accountants Group.

The Pensions Regulator’s (TPR) Guidance for Trustees is available on the Pensions Regulator’s website: www.thepensionsregulator.gov.uk.

Trustees of the Mineworkers’ Pension Scheme Limited is registered with the Information Commissioner’s Office under the terms of the Data Protection Act 2018.

The registration number of the Scheme with the Pensions Regulator is 10058240.

The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from trading activity is not investment income and will be assessed to tax in the normal way.

The investments of the Scheme are made in compliance with the Occupational Pension Schemes (Investment) Regulations 2005.

Cash equivalent transfer values paid during the year were calculated in accordance with the requirements of the Pension Schemes Act 1993.

The Trustee has written agreements in the form of contracts with all major service providers.

Changes to the Scheme Constitution, Rules or Basic Information

Constitution of the Scheme
The Mineworkers' Pension Scheme is governed by the Scheme and Rules set out in the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994 dated October 1994 with subsequent amendments.

Amendments to the Scheme and Rules
The Scheme and Rules were amended during July 2022 to bring forward the previously agreed changes to protect bonus pensions with immediate effect, rather than from 2024. As a result of the amendments, any bonus pensions built up to 25 September 2022 can no longer be lost or reduced.

Increases to Pensions in Payment
Guaranteed pensions (in excess of any Guaranteed Minimum Pension (GMP) element) are reviewed annually in line with the percentage change in the Retail Prices Index (RPI) in June. The 2022 increase to guaranteed pensions, effective from 26 September 2022, was 11.8%.

Following the agreement to bring forward the protection of bonus pensions no corresponding reduction was made to bonus pensions that had previously been in standstill. So members received an increase to total pensions equivalent to 11.8% of guaranteed pensions (excluding any GMP entitlement).

Following the actuarial valuation in 2017, it was agreed between the Committee and the Guarantor that that member could be paid up to 6 bonuses. This was to make sure that the total increase to pensions was at least 4.2% of guaranteed pension in each year from 2018 to 2023. As the total increase in 2022 was more than 4.2% of guaranteed pension, as a result of the agreement to bring forward bonus protection, no new bonus was paid in 2022.

Changes to the Guaranteed pension do not apply to the element of the pension in payment representing any GMP which the Scheme is required to provide as a consequence of contracting out of the State pension arrangements. No increase is payable by the Scheme on any GMP in respect of Scheme membership before 5 April 1988. The Scheme will pay the first 3% of any annual cost of living increase due on the GMP for Scheme membership after 5 April 1988.

Increases to Benefits in Deferment
Pensions in deferment are generally increased annually in line with price inflation either under statutory revaluation or the Guarantee arrangements. Deferred pensioners have also been awarded bonus increases following distributions of members' share of surplus declared at previous Actuarial Valuations.

All increases were in accordance with the Scheme and Rules or legislative requirements.

No discretionary increases were paid during the year.

For more information

A range of publications is available to members. Requests for copies should be addressed to the Scheme Secretary at:

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

This is also the registered office of Trustees of the Mineworkers' Pension Scheme Limited.

The Trustee can be contacted by email using the 'Contact us' facility on the website.

The Scheme Administrator can be contacted:

By post: MPS
PO Box 555
Stead House
Darlington
DL1 9YT

By telephone: 0333 222 0077

By email: mps@capita.co.uk

The Scheme's website, www.mps-pension.org.uk, gives members access to information about the Scheme, online copies of Scheme publications, and forms which can be printed off and used to notify the Scheme of changes in circumstances.

Other useful addresses and contact details:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London E14 4PU
www.pensions-ombudsman.org.uk

Money Helper (previously The Pensions Advisory Service)
Money and Pensions Service
120 Holborn
London EC1N 2TD
www.moneyandpensionsservice.org.uk

The Pension Tracing Service
400 Pavilion Road
Northampton
NN4 7PA
https://www.pensiontracingservice.com/

The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW
www.thepensionsregulator.gov.uk