

Pensions Newsline

The newsletter for members of the Mineworkers' Pension Scheme

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Summer
2017

MPS hits retirement age...

...and the Trustees are still working actively on your behalf!

The Mineworkers' Pension Scheme celebrates its 65th birthday this year and we thought you would be interested in some facts and figures about the Scheme.

The early days

The Scheme was set up on 1 January 1952. Although membership was voluntary, 50% of eligible employees joined straight away – over 564,000 members! By the end of June 1952, 80% of employees had signed up for membership. The Northumberland division had the highest take-up, with 93% of those working in the Northumberland collieries signing up.

Membership became compulsory for all eligible employees in April 1961.

Conversely, if there was more than enough money, British Coal could pay less or even take a 'contribution holiday', as it did between 1989 and 1994.

How much has been paid from the Scheme?

Between the date the Scheme started in 1952 until the time the Scheme closed to further contributions following privatisation in 1994, total contributions paid by members amounted to £1.1 billion and total contributions paid by British Coal amounted to £3.2 billion.

How much did membership cost?

When the Scheme was first set up, employees paid fixed rate contributions, depending on their age. The youngest workers paid 3s1d a week (15.5p). Between 1952 and 1975, pension contributions increased for new starters, but never to more than 4s0d (20p) a week.

In 1975, MPS became a final salary scheme and contributions for employees increased to 5% of pensionable earnings, with British Coal matching the 5% contribution. These increased contributions allowed the benefits payable on retirement to be improved steadily.

How much did the employer contribute?

The MPS was a 'balance of cost' scheme. That meant that British Coal had to make up any shortfall when there was not enough money in the Fund to cover the promised level of benefits.

The Scheme today

Although the Mineworkers' Pension Scheme closed to contributions following privatisation in 1994, it is still one of the 20 largest schemes in the UK. As you will see from the summary from the Scheme Report & Accounts at 30 September 2016, we have nearly 143,000 pensioners in payment and a further 35,000 members who have not yet taken their pension.

Since the Scheme started in 1952 up to 30 September 2016, over £16.5 billion has been paid out to Scheme members and a further £3.4 billion has been paid to the Guarantor. The value of the total assets at 30 September 2016 was just over £11 billion (see pages 7 and 8 for more information about these assets).

The future

The Scheme's assets will be needed to pay benefits for many years into the future. The Scheme's Actuary has calculated that the Scheme will be paying benefits to members for at least the next 50 years, and that in order to continue to pay benefits until the last member dies, the Scheme will need to pay out over £19 billion. As the Trustees want to continue to

pay new bonuses, they need to continue to make the assets work hard and produce surpluses. The article on page 4 explains what the Trustees are doing to make this happen.

If you would like to read more about the detailed history of the Scheme, our website includes much more information: www.mps-pension.org.uk

2017 Bonus and Pension Increase

The 2017 bonus will be effective from 2 October this year and will be based on the June 2017 increase in the Retail Price Index (RPI) of 3.5%.

This bonus is the third to be paid following the 30 September 2014 actuarial valuation of the Scheme, when the Trustees were able to announce bonuses for each of 2015, 2016 and 2017. Without these bonuses your total pension would not have increased in these years.

Each of the bonuses is based on an RPI increase on your guaranteed pension in that particular year (based on the June RPI increase each year).

So:

- In 2015 the bonus was based on the June 2015 RPI increase of 1.0%.
- In 2016 the bonus was based on the June 2016 RPI increase of 1.6%.
- This year the bonus is based on the June 2017 RPI increase of 3.5%.

The date your bonus will be paid from is shown below and depends on how often your pension is paid:

Every 4 weeks	Every 13 weeks	Once a year
13 October 2017	27 October 2017	27 October 2017

The increase will be backdated to 2 October for everybody.

If you are already drawing your pension you will receive an individual notification to confirm your pension increase. If you need to tell the State or your local council about the increase, please wait until you receive this notification.

If you are not yet drawing your pension you will still receive increases to your deferred pension in line with the above increases in RPI. You will receive a full statement of benefits after the completion of the 2017 actuarial valuation (see below for more information about the valuation).

2017 actuarial valuation

Bonuses from 2018 will depend on the outcome of future actuarial valuations. The Scheme Actuary carries out a valuation, typically every three years, to look at how well the Scheme is funded. The next valuation is due to be carried out as at 30 September 2017.

The Scheme Actuary will determine whether there are sufficient assets in the Scheme to meet the pension liabilities (i.e. all the future benefits payable to members). This will enable him to ascertain, for example, whether a cash injection is required from the Government or whether there is a surplus in the Scheme that can be used to provide bonuses.

If there is a surplus in the Scheme then the Trustees will be able to provide new bonuses. If there is no surplus then the Trustees will not be able to provide bonuses and members' total pensions will not increase in 2018, 2019 and 2020.

As there is still some time to go until the next valuation it is too early to say whether there will be any surplus in the Scheme from which to pay any bonuses. Even though the Scheme's investments have performed well recently, we are currently in very challenging and uncertain times both politically and economically and this can have implications for all investors including pension schemes.

We will provide you with an update as to how the valuation is progressing in the next issue of Newsline.

The Government Guarantee & Surplus Sharing

Prior to privatisation in 1994, British Coal was the Scheme sponsor, meaning that it was responsible for ensuring that the benefits promised by the Scheme would always be paid. On the privatisation of the industry, members' benefits could have been at risk in the future if the Trustees had not obtained the Guarantee from the Government that the Scheme benefits would always be paid.

The existence of that Government Guarantee has been very important in two main ways:

1. It guarantees that your Guaranteed Pension (including RPI indexation) will always be paid and will not be at risk even if there are insufficient funds in the Scheme to pay the promised benefits; and
2. It has enabled the Trustees to adopt an investment strategy which is designed to target surpluses and bonuses to members, wherever possible. We talk about this in more detail below.

The Guarantee

During the 1994 privatisation discussions, arrangements were put in place whereby the Government guaranteed that the members of the MPS would always receive the benefits they had earned to that date and that, in future, those benefits would rise annually in line with inflation. These arrangements included the provision that 50% of any surplus in the Fund at future valuations would be used to increase members' benefits with the other 50% being paid to the Government.

Over the years, the Guarantee has enabled the Trustees to adopt an investment strategy that targeted high returns. The investments have generally been successful in generating excellent returns which has resulted in the surpluses at some of the actuarial valuations. These surpluses have allowed the Trustees to award extra benefits to members, usually in the form of bonus pensions. As a result, the typical member's pension today is around 33% higher in real terms than it would have been had they received only their actual earned pension up to privatisation. These high investment returns have also benefited the Government, via their 50% share of surpluses which are paid out over a ten year period.

Please also remember that your benefits are protected by the Government Guarantee. The Guarantee means that even if investment returns are poor, your total pension cannot fall.

Surplus sharing

We are often asked why the split of surplus sharing is 50/50 and the simple answer is that this was part of the arrangements negotiated between the Government of the day and the Trustees in 1994. The power to change this arrangement lies jointly with the Guarantor and the Trustees. Neither party can change the arrangements without the agreement of the other party. Since 1994, in reflection of the changing financial circumstances of the Scheme, the Trustees have asked the Government to reconsider the terms of the Guarantee, including the surplus sharing arrangements, on a number of occasions. The Government has made it repeatedly clear in its response to the Trustees' requests that it does not regard the 1994 arrangements as being unfair and that it has no intention of agreeing to changes that are not in its interests.

What do other schemes do with surplus?

Many schemes were in surplus in the late 1980s and 1990s. Some schemes, like the MPS, used the surplus to improve members' benefits and/or allow the employer to take a 'contributions holiday'.

Nowadays, as members live longer, interest rates are lower and investment markets are more uncertain, very few schemes have been able to generate a surplus. On the rare occasions that schemes have found themselves in surplus, it has generally been used to 'de-risk', i.e. the scheme exchanges its higher returning and riskier assets, such as equities, for lower returning and less risky investments such as government bonds.



The Trustees' role

The Trustees' role is to run the Scheme in line with the Rules. The Trustees are, and always have been, committed to achieving the best possible outcome for Scheme members and regularly seek opportunities, through engagement with the Government, to improve the benefits for members. For example, after a period of good investment returns, they approached the Government who agreed with the Trustees' request to carry out an additional actuarial valuation as at 31 March 2013. The outcome of that valuation was the following improvements for members:

- i) A new bonus of 4% of Guaranteed Pensions in March 2014;
- ii) An increased likelihood of a surplus (and therefore new bonuses) from the 30 September 2014 actuarial valuation (the Trustees have subsequently been able to award these bonuses); and
- iii) An extension of the life of the remaining Investment Reserve until 2029, instead of 2019. The Investment Reserve acts as a valuable buffer to enable the Trustees to provide some level of new bonuses even when the actuarial valuation discloses a deficit.

Looking forward

The Government Guarantee continues to serve the Scheme well, ensuring that MPS pensions will always be paid even if the Scheme were to face tough financial conditions in the future. However, the Trustees also continue to seek opportunities to improve benefits for members. This includes engaging with the Government and the Trustees would of course be supportive of any changes to the Scheme arrangements that would benefit members.



Pensioner Representative Trustee Election 2017

Central and Southern England and South Wales

On 30 September, the term of office for the MPS Pensioner Representative Trustee for the Central and Southern England and South Wales constituency comes to an end. An election for the post is in progress.

Standing for election

All MPS members living in the Central and Southern England and South Wales constituency were sent a letter which provided information on standing for election.

Voting in the election

All MPS members living in the Central and Southern England and South Wales constituency are able to vote in the election, either by post or online. A ballot pack, including ballot papers, candidates' statements and details on how to vote, was issued to those members in late August.

Key dates

September 2017 Close of voting
20 September; votes counted

1 October 2017 Successful candidate takes
up office

The successful candidate will serve as a Pensioner Representative Trustee on the Committee of Management for a period of five years and will be eligible for re-election. The results of the election will be published in the next edition of Pensions Newline and on the Scheme's website.

Changes to Scheme Management

Chris Cheetham has been appointed as the Chairman of the Committee of Management. Chris has taken over from Nigel Stapleton, whose final term as Chairman ended on 30 June 2017. Nigel had been Chairman of the Scheme for over eight years. Chris was first appointed as a Trustee in September 2009 and has most recently held the position as Chair of the Investment Sub-committee.

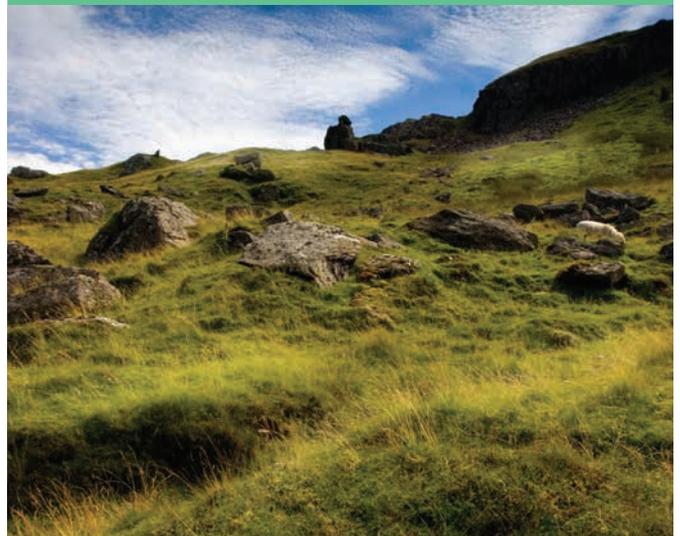
After ten years as a Trustee of the Scheme, and most recently as Chair of the Risk and Operations Sub-committee, Vivien Cockerill's final term came to an end in April 2017.

We would like to extend our thanks to both Nigel and Vivien for all of their hard work over the years. Both were very focussed on improving the position of Scheme members and as a result were extremely effective in their roles.

Paul Trickett has been appointed as a Trustee of the Scheme; he has also taken over from Chris as Chair of the Investment Sub-committee.

Details of the new Appointed Trustee who will replace Vivien will be included in the next edition of Pensions Newline.

The Committee of Management have also recently appointed Andy Gibbons as Scheme Secretary.



Summary of the Scheme's Report & Accounts for the year to 30 September 2016

The MPS is a mature Scheme, with annual pension payments currently amounting to about £700 million. The Trustees work hard to manage the Scheme's investments and the cashflows they generate to ensure that the Scheme will continue to be able to meet all pension payments as they fall due, both now and in the future. In addition, the Scheme does benefit from the Government Guarantee so all members can be confident that their pensions will always be paid.

The summary of the Scheme finances and membership numbers for the year ended 30 September 2016 is provided below. These figures are taken from the Scheme Report & Accounts and a full copy is available from the Scheme's Administration Office – see page 11 for contact details.

It can also be found on the publications section of the Scheme's website: www.mps-pension.org.uk

At a glance

Fund Account as at 30 September	2016 £m	2015 £m
Net assets of the Scheme as at 1 October 2015	10,491	11,022
Payments from the Fund		
Benefit payments	(882)*	(721)
Payments due to the Guarantor	(113)	(92)
Administration costs	(7)	(9)
Total payments from the Fund	(1,002)	(822)
Return from investments		
Income received from investments	277	237
Change in market value of investments	1,680	97
Investment management expenses	(50)	(43)
Total return from investments	1,907	291
<i>Net increase/(decrease) in the Fund during the year</i>	<i>905</i>	<i>(531)</i>
Net assets of the Scheme as at 30 September	11,396	10,491

*numbers shown in brackets are payments out of the Fund.

Scheme membership

Members	30 September 2016	30 September 2015
Members in receipt of their pension	142,639	162,684
Members not yet in receipt of their pension	34,649	37,807
Total members	177,288	200,491

Report & Accounts - Key figures explained

Payments

Benefit payments

For the year to 30 September 2016 pensions were being paid to almost 143,000 members and their dependants. These payments amounted to £882 million over the year. However, this figure included one-off cash payments of £184 million to over 17,000 qualifying members who chose to exchange their benefits for a one-off payment. This is the reason for the large increase in benefit payments compared to the previous year.

Payments due to the Guarantor

These are the payments that are due to the Guarantor as a result of its share of surplus arising from past actuarial valuations. The Guarantor's share of any surplus is paid in instalments over ten years. Payments totalling £113 million were made to the Guarantor during the year. Please see page 4 for further information on the Government Guarantee and surplus sharing.

Administration costs

These are the costs incurred in administering the Scheme and paying the benefits, and include legal and actuarial costs. The majority of these costs are spent on pensions administration. It is crucial for the Scheme to be administered effectively to ensure that members' benefits are paid correctly, on time, and their queries are responded to.



Return from Investments

Income received from investments

The Scheme invests in certain assets that generate income which is paid into the Fund during the year. This includes rent from property, interest from lending money to companies, governments or on cash balances, and dividends from equities. The total amount of income received from investments in the year was £277 million - considerably less than the total amount of payments that the Scheme had to make in the year.

Change in market value of investments

Some investments that the Scheme owns do not generate regular income but are invested for the longer term to increase in value. They can then be sold to generate cash for payment of benefits or to make new investments. The Report & Accounts includes the value of such investments as at the end of the Scheme financial year of 30 September.

The value will increase or decrease from year to year due to many factors, including the movements in global stock market prices, interest rates, foreign currency rates and property prices.

Investment management expenses

Managing the Scheme's investments well is vital to the success of the Scheme and requires specialist knowledge and expertise. The Trustees have overall responsibility for the Scheme's investments and have appointed professional investment managers to provide them with advice on the most appropriate investments.

Net increase/(decrease) in the Fund during the year

This is simply the difference between the 'total return from investments' and the 'total payments from the Fund'. In the year to 30 September 2016 there was a net increase of £905 million so the Fund increased in value from £10,491 million at the beginning of the year to £11,396 million at the end of the year. In the previous year, there was a net decrease as the 'returns from investments' were considerably lower than the payments out of the Fund, mostly due to difficult market conditions.

Investment strategy

Because the Scheme has a Government Guarantee that ensures pensions are always paid, the investment strategy for the Scheme can consider investments that have the potential for better returns. This in turn means that the Trustees can target surpluses which provide bonuses to members.

Asset allocation

The asset allocation as at 30 September 2016 is shown below:

Asset Type	% Allocation
Cash deposits	6.7
Fixed income	17.4
Equities	48.1
Private equity	11.0
Property	14.7
Global Macro	1.5
Shipping	0.6
Total	100.0



Paydays for the year ahead

If your pension is paid every 4 weeks	If your pension is paid every 13 weeks	If your pension is paid once a year
15 September 2017		
13 October 2017	27 October 2017	27 October 2017
10 November 2017		
8 December 2017		

Scheme website

The MPS website has been redesigned to make it easier to navigate, with clearer links to the different sections. The new website will be mobile and tablet friendly and has recently been re-launched.

The website contains some of the latest facts and information about the MPS and we have increased the number of forms which you can download to let us know about changes that affect your pension, such as a new address or change of bank account details.

Our contact details are included on the website so you can get in touch with us if you can't find what you need online or if you need to speak to someone.

The Scheme's website will also include links to other websites where you can find more general information, for example about tax or State benefits.

During 2017, the Scheme will also be launching its own Facebook page, which will initially direct visitors to the Scheme's website giving them online access to facts and current information about the Scheme.

You can visit the website at www.mps-pension.org.uk. The website address will remain the same so you will automatically be redirected to the new website when you visit.

You will also see that we have refreshed the Scheme colours and at the same time updated the Scheme logo. **We hope you like it!**

Please let us know what you think of the new website. You can contact us at mps.enquiries@coal-pension.org.uk to give us your feedback.



Change of Scheme Administrator

Following an extensive review of the current administration service ahead of the expiry of the contract, the Trustees have taken the decision to appoint Capita Employee Benefits as the Scheme's new administrator. Capita Employee Benefits are a large, well-established, pensions administrator and they will manage the MPS administration from their office in Sheffield.

For the moment there will be no change to the services provided by the current administrator, Equiniti Paymaster. They will continue to administer the Scheme pensions until the move to Capita Employee Benefits, planned for mid-January 2018. The move to Capita Employee Benefits is a complex process. The Trustees are monitoring the progress of this change very carefully to minimise any disruption to the service our members receive during the transfer period in the weeks before the move. We will provide you with more details about this move later in the year and in the meantime, there is no action that you need to take.

As well as the move to Capita Employee Benefits, the Trustees are also planning to provide an increased range of services for Scheme members. These include the recent re-launch of the Scheme's website, completely revised for 2017, together with a separate, secure, interactive website expected in 2018, allowing those members whose MPS pension is in payment to view their payslips and P60s. All members will have the option to sign up to receive information about the Scheme by email.

Members who don't have internet access do not need to worry – you can still write to our administrators, or contact them by phone, as before.

For most members, the Scheme's administrators are the first point of contact with the MPS and the Trustees would like to thank all the staff at Equiniti Paymaster who have looked after our members since 2001. The Trustees are determined to ensure that the members of MPS receive the best possible service and will be working closely with both administrators during the coming months.

Please keep in touch with us

Please let us know if you change your address so that we can keep in touch about your MPS pension and make sure you have the opportunity to vote and take part in the Pensioner Representative Trustee Elections.

We would also like to hear what we could be doing better to support you, and to know what we do well, so we can do more of it.

If you know someone who used to work in the mining industry and they say that they no longer receive correspondence from us, please let them know how to get in touch with the Scheme.

Contacting the Scheme Administrator

By phone:

Member telephone helpline
(available Monday – Friday 8.30am to 6.00pm):

- UK callers Lo-call number: **0345 606 4444**
(charged at the same rate as a local call)
- UK callers who have free local and national calls: **0121 415 0289**
- Overseas callers: **+44 121 415 0289**

When you call please have your pension reference number or National Insurance number to hand, so we can carry out an identification and security check.

By post:

Mineworkers' Pension Scheme, Sutherland House,
Russell Way, Crawley RH10 1UH.

Please include your pension reference number or National Insurance number for identification and security purposes.

By email:

You can email us at: **miners-pensions@equiniti.com**

Please include your pension reference number for identification and security purposes.

MPS Website:

More information about the Scheme and useful forms such as change of address, change of bank account, and expression of wish forms can be found at **www.mps-pension.org.uk**

Pensions Newline is also available on CD, and to download from the MPS website.

We can also arrange for a large print version to be sent to any member who finds the text difficult to read.

If you would like to receive Pensions Newline in either of the above formats, please contact us on our Lo-call number, **0345 606 4444 or, if you have free local and national calls, on **0121 415 0289**.**

Other useful contact details:

HMRC:

When you contact HMRC you will need your National Insurance number and their reference 083/MPS.

Call on **0300 200 3300 (UK)**
or **+44 135 535 9022 (Overseas)**

Concessionary Fuel and Cash in Lieu (NCFO) office:

When you call please have your National Insurance number to hand, so they can carry out an identification check.

UK callers: **0345 759 0529**

**HMRC's postal address has now changed.
If you want to contact them, please write to:
Pay As You Earn and Self-Assessment
HM Revenue and Customs, BX9 1AS,
United Kingdom**

