For members of the British Coal Staff Superannuation Scheme

Report & Accounts

2021/2022

Notice of Meeting

Notice is hereby given that the
Seventy-Fourth Annual General Meeting
of the Scheme will be held at
Double Tree by Hilton Edinburgh Airport,
Edinburgh, EH28 8LL
and online on YouTube
on Thursday 29 September 2022 at 2.00 pm

Business

To receive the Report and Accounts
for the year to 31 March 2022 and
to debate and vote on any Member Resolutions.
Resolutions to be received no later than 12 September 2022.
The meeting is open to pensioners
and deferred pensioners.

By order of the Committee of Management
Karen Barton, Secretary

British Coal Staff Superannuation Scheme

Ventana House
2 Concourse Way
Sheaf Street
Sheffield S1 2BJ
Telephone (0114) 253 6444

July 2022

Contents

BCSSS British Coal Staff Superannuation Scheme

Committee of Management (the Committee)

Appointed Members

Dame Kate Barker (Chairman)
Alan Rubenstein
G James Shearer
Alan Whalley

Elected Pensioner Representative Members

James Grant[1] - *Scotland & North East England*
Bleddyn Hancock[1] - *North West England, West Midlands, Wales & Northern Ireland*
W John Sheldon - *East Midlands, Southern England & Overseas*

Investment Sub-committee (ISC)

Alan Rubenstein (Chairman)
Dame Kate Barker
Barry Kenneth[2]
W John Sheldon
Bleddyn Hancock
Elizabeth Fernando[2]

Administration and Benefits Sub-committee (ABSC)

G James Shearer (Chairman)
Alan Whalley
James Grant
W John Sheldon[3]

Discretions and Appeals Sub-committee (DASC)

G James Shearer (Chairman)
Alan Whalley
James Grant
W John Sheldon[3]

Risk and Assurance Sub-committee (RASC)

Alan Whalley (Chairman)
G James Shearer
W John Sheldon
James Grant[3]

[1]James Grant was re-elected as a Pensioner Representative for the Scotland & North East England consistency from 1 October 2021. Bleddyn Hancock was re-elected as a Pensioner Representative for the North West England, West Midlands, Wales & Northern Ireland consistency from 1 October 2021.

[2]Barry Kenneth and Elizabeth Fernando are investment advisers to, and non-voting members of, the ISC.

[3]Stuart Jukes, Elected Pensioner Representative Member for the Yorkshire and North Lincolnshire constituency, sadly passed away on 6 January 2022. He was replaced by W John Sheldon on the ABSC and the DASC and James Grant on the RASC. John Owen was elected as a Pensioner Representative for the Yorkshire and North Lincolnshire constituency from 1 July 2022.

Appointments as at 31 March 2022

Trustee Company:	Coal Staff Superannuation Scheme Trustees Limited
Executive:	Coal Pension Trustees Services Limited (CPT) Co-Chief Executives[1]: Geoffrey Mellor & Gerard Lane Chief Investment Officer: Mark Walker Scheme Secretary[2]: Karen Barton
Investment Adviser:	Coal Pension Trustees Investment Limited (CPTI)
Actuarial Adviser:	PricewaterhouseCoopers LLP
Principal Investment Managers[3]:	BlackRock Investment Management (UK) PGIM Limited LaSalle Investment Management
Actuary:	Martin Clarke, Government Actuary
Principal Legal Advisers:	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[4]
Medical Adviser:	RPS Occupational Health Limited

The British Coal Staff Superannuation Scheme's (the Scheme's) registration number with The Pensions Regulator is 10151637

[1]Gerard Lane retired as Co-Chief Executive on 30 April 2022. Geoffrey Mellor assumed the role of sole Chief Executive Officer with effect from 1 May 2022.

[2]Jon Heathfield retired as Scheme Secretary on 31 December 2021. He was replaced by Karen Barton from 1 January 2022.

[3]Principal Investment Managers are defined as those managing at least 5% of the Scheme's Net Assets by market value as at 31 March 2022.

[4]The transition of Custodian services from JP Morgan Investor Services to The Northern Trust Company was completed on 1 April 2021.

On behalf of the Committee of Management, I am pleased to introduce the Annual Report and Audited Financial Statements of the British Coal Staff Superannuation Scheme for the year ended 31 March 2022.

We were very sad to report the death in early 2022 of Stuart Jukes, the Pensioner Elected Trustee for Yorkshire and North Lincolnshire. Stuart was a trustee for 26 years and was a dedicated representative for the Scheme and its members. He will be sorely missed by everyone at the Scheme.

The 31 March 2021 actuarial valuation was completed in early 2022. We're pleased to report that the results showed the Scheme was in good financial health, despite the challenges caused by the COVID-19 pandemic.

The impact of the pandemic on our day to day lives has been lessening, although we are aware that many members and their families will still be affected and offer them our sympathy. The economic impacts have also faded, but we now face increased geo-political risks, especially the war in Ukraine, ongoing concerns around energy supply, and rising interest rates to combat resurgent inflation.
Against this challenging backdrop, we are very pleased that the Scheme's assets delivered strong returns over the year. The fact that the Scheme benefits from a Government Guarantee is an important source of reassurance. The Guarantee means that irrespective of the financial impact of any future challenges, members' pensions are protected and will always be paid.

We're also pleased to report that service provided to Scheme members continues to be strong, aided because as the year progressed both Capita and CPT staff were able to return to more office working. We were also pleased to resume face-to-face Committee meetings.

Since the end of 2020, we have been keeping members informed about the proposed changes to how the Retail Prices Index (RPI) will be calculated from 2030 onwards. The changes would mean that RPI will be calculated in exactly the same way as the Consumer Prices Index including owner occupiers' housing costs (CPIH). This change would very likely result in RPI being lower, which would lead to a reduction to increases in members' pensions from 2030 onwards. At the time of writing the proposal is subject to an ongoing judicial review. However, if the proposal does go ahead, the Committee will seek to discuss with the Guarantor appropriate measures to mitigate the impact on our members.

Funding and Investment

The Committee's primary funding aim is to ensure that all future benefits can be paid to members as they fall due, without requiring funding from the Guarantor. As we have explained before, in order to achieve this goal and meet our commitment to pay the Adjusted Reserve to the Guarantor, a high level of return on the Scheme's assets is required over the future. This means that the Committee has to invest in assets that seek a higher return than can be achieved with 'low risk' assets. And the Scheme is mature, with annual benefit payments of over £570 million.

Over the year, the Scheme's assets continued to deliver strong returns which were driven in particular by the Scheme's private assets, including property and private equity. That said, in the first three months of 2022, we saw increased market volatility, especially in global equities, reflecting the geo-political concerns.

In navigating such periods of market volatility there are two important, but potentially competing, aspects we need to consider when implementing the Scheme's investment strategy which we set out below.

Firstly, whilst short term volatility in markets can impact the value of the Scheme's assets, many of these assets are likely to be held for long time periods. It is therefore important that the outlook for those assets is also considered over that longer time period.

Secondly, whilst a long term outlook is important, in the short term we have to manage the high level of cash flows out of the Scheme. To help meet these cash flows the Committee has a high allocation to income-producing assets, including property, infrastructure and fixed income assets. All the income received from the assets is collected and used to pay pensions. But this income alone is insufficient to cover all the pension payments. We therefore need to sell assets regularly in addition. When asset prices are rising, we will generally sell equities and other growth assets. However, these growth assets experience periods of volatility with lower prices; it is critical that we do not need to sell them in these periods. The Committee therefore holds sufficient assets in lower risk and readily realisable assets that can be sold when growth asset prices are low.

The Committee considers a number of other important factors and trends when investing the assets. These include an increasing focus on environmental, social and governance (ESG) considerations, recognising that these factors can have a significant impact on long-term returns and risks. ESG factors, such as climate change, poor corporate governance or actions taken by "rogue states" can impact investment outcomes and we therefore ensure that they are taken into account in all investment decisions.

The Russian invasion of Ukraine is a clear and present example of an ESG factor the Committee has had to consider. Although the Scheme's direct investments in Russia were actually a very small proportion of the Scheme's total assets, we have been actively engaging with our asset managers, so that any remaining investments can be sold as market conditions permit. We also took immediate action in relation to the Scheme's investments that are indirectly exposed to Russia.

Another important ESG factor is climate change. Increasing regulatory changes, reporting requirements and public behavioural changes around climate change are all increasing the effects on the value of certain assets and so the risks of holding them. The Committee considers these factors both from a risk perspective (do we invest in companies that might be adversely affected by the environmental trend) and when looking for investment opportunities (are there ways we can benefit from the changes, such as investment in new technologies or "green" investments).

Later this year the Committee will publish its first report under the "The Occupational Pensions Pension Schemes Climate Change Governance and Regulations 2021". Under this regulation pension schemes are required to produce a report (known as a Task Force on Climate Related Financial Disclosures (TCFD) report) that demonstrates they have established an effective governance structure for oversight of climate related risks and opportunities. More details about the regulations and the TCFD report can be found in the Implementation Statement on pages 24 to 27.

The Scheme's Actuary carries out an actuarial valuation of the Scheme every three years, to provide information on the funding position of the Scheme. The results of the 31 March 2021 actuarial valuation are now available. A summary of the actuarial review by the Scheme's Actuary can be found on page 51. The actuary confirmed that the investment returns required to meet the future payments to members and the Guarantor had fallen since the last valuation on 31 March 2018. This was largely as a result of the high returns on most investment markets over the three-year period.

The results of the valuation have triggered a consultation between the Committee and the Guarantor which, amongst other things, allows the two parties to consider whether there are any changes to the Scheme’s funding and investment strategy that might be beneficial. This consultation commenced in Spring 2022. We will update members on the outcome of the consultation in due course.

Benefits Administration and Member Communications

The benefits administration continued to operate successfully during the year. We had robust plans and processes in place to ensure that all pensions were paid on time and the needs of members continued to be served, and these plans were effective.

The Committee re-appointed Capita as pensions administrator in March. The term of the new contract is for a further five years until 31 July 2027.

In addition to the day-to-day administration, we have also been pleased with the continuing success of the extra services offered by two organisations the Scheme has partnered with. “Tax help for Older People” is a charity which provides support to older taxpayers who need help or guidance to understand their tax position and “Wealth at Work” offer guidance around the options available to deferred members on their retirement.

As you will recall, we had to postpone the Pensioner Trustee election and cancel the AGM in 2020 due to the risks posed by COVID-19. We were therefore pleased we were able to hold two Pensioner Trustee elections in 2021; the postponed election in the North West England, West Midlands, Wales and Northern Ireland constituency and the election that was scheduled for 2021 in the Scotland and North East England constituency. Both Bleddyn Hancock and James Grant were re-elected. It was also good to be able to hold the AGM in person in Nottingham and for the first time we provided virtual access to members via YouTube. We received positive feedback about hosting the AGM on YouTube, so this is something we are planning on doing again for the 2022 AGM which is taking place in Edinburgh on 29 September 2022.

Finally, this year has seen the retirement of long serving colleagues associated with the Scheme: Jon Heathfield, the BCSSS Scheme Secretary and Gerry Lane, the Co-Chief Executive of CPT. We would like to thank Jon and Gerry for the great support for both members and the Trustees over many years. Jon is succeeded by Karen Barton as Scheme Secretary.

Dame Kate Barker,
Chairman of BCSSS Committee of Management

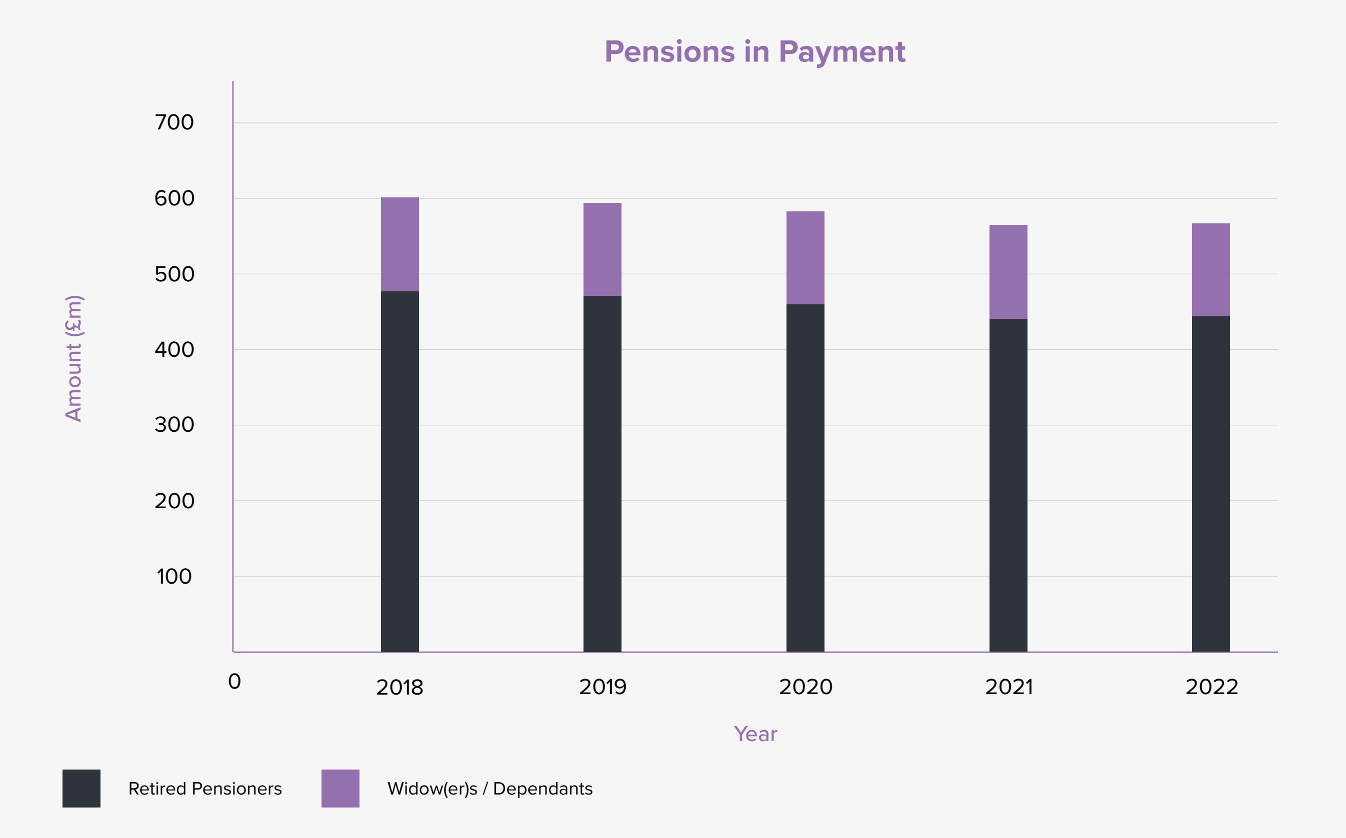
Key Statistics for 2022

Total number of pensioner members at 31 March	**43,189**
Total number of deferred members at 31 March	**1,623**
Total benefits paid and transfers out during the year	**£573m**
Net increase in the Fund during the year	**£218m**
Net assets of the Scheme at 31 March	**£9,815m**

Five Year Summary of the Fund Account

	2018	2019	2020	2021	2022
	£m	£m	£m	£m	£m
Benefits and payments out of the Scheme					
Benefits and transfers out of Scheme	(624)	(614)	(603)	(588)	(573)
Administrative expenses	(5)	(3)	(3)	(3)	(4)
Net withdrawals from the Scheme	**(629)**	**(617)**	**(606)**	**(591)**	**(577)**
Returns on investments					
Investment income	251	286	278	229	229
Change in market value of investments	421	378	(262)	1,232	585
Investment management expenses	(32)	(33)	(31)	(33)	(19)
Net returns on investments	**640**	**631**	**(15)**	**1,428**	**795**
Net increase/(decrease) in the Fund during the year	**11**	**14**	**(621)**	**837**	**218**
Net assets of the Scheme at 31 March	**9,367**	**9,381**	**8,760**	**9,597**	**9,815**

BCSSS British Coal Staff Superannuation Scheme



Membership of the Committee of Management

The Scheme's Committee of Management (the Committee) has eight members. Four are appointed, and may be removed, by the Committee itself. This is subject to the rules set out in the Articles of Association of the trustee company. Should there be an appointed Trustee Director vacancy, a Nomination Group of two appointed and two elected Trustee Directors is established to recommend a suitable candidate to the Committee.

The remaining four members of the Committee are Pensioner Representatives elected by Scheme members from four geographical constituencies.

Stuart Jukes, Pensioner Representative for the Yorkshire and North Lincolnshire constituency died on 6 January 2022. Stuart had been a much valued member of the Committee during his twenty six year tenure. The Committee wishes to put on record its appreciation for the work carried out for the Scheme by Mr Jukes during his period of office.

A Pensioner Representative election is being held to elect a Pensioner Representative to replace Stuart. The new Trustee Director, John Owen, took office from 1 July 2022.

Attendance at meetings of the Committee

During the year there were five meetings of the Committee. With the exception of one member who was unable to attend one meeting, all other members attended all of the meetings. For decisions to be valid a minimum of four members of the Committee must be present (of whom two must be appointed directors and two must be 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. In the case of an equality of votes, the Chairman of the Sub-committee meeting has a second or casting vote. Papers for Sub-committee meetings and the minutes of those meetings are circulated to all members of the Committee.

The membership of each Sub-committee is shown on page 5. Sub-committee meetings are open to all members of the Committee to attend.

There were 20 Sub-committee meetings during the year. With the exception of one member who was unable to attend two meetings every Sub-committee meeting was fully attended by all members of that Sub-committee.

Remuneration

Members of the Committee are entitled to remuneration for the work they undertake for the Scheme.

For all the Committee members other than the Chairman and the Chairmen of the Investment Sub-committee (ISC) and the Risk and Assurance Sub-committee (RASC), the rates of remuneration are set by the Secretary of State for Business, Energy and Industrial Strategy (the Guarantor).

The Committee determines the remuneration of the Chairman of the Committee and the Chairmen of the ISC and RASC, subject to the Committee providing the Secretary of State with suitable reassurance that the rate of remuneration granted is appropriate relative to the wider market and that the individual's competence for the role has been assessed.

The total remuneration paid in the year to the members of the Committee was £283,114 (2021: £285,150).

Remuneration rates are reviewed annually. With effect from 1 April 2022 the rates of remuneration were increased for most Committee members. The increase for those members was in line with the increase in the Retail Prices Index. The rates of remuneration are:

Chairman of the Committee	£77,450 pa
Chairman of ISC	£65,800 pa
Chairman of RASC	£45,400 pa
Chairman of ABSC	£27,500 pa
Other Committee Members	£21,700 pa

Conflicts of Interest

The Committee has a conflicts of interest policy which sets out its principles for identifying, managing and monitoring any Trustee Director, Scheme official or Scheme adviser's actual or potential conflicts of interest which may arise in the conduct of the Scheme's business and decision making. The policy is reviewed regularly. Meeting procedures require the declaration of any conflicts of interest at the commencement of each meeting.

Evaluation of Trustee Director Performance

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

Appointments

A list of the key appointments made by the Committee is on page 6. All of these appointments are periodically reviewed by the Committee.

Coal Pension Trustees Services Limited

Coal Pension Trustees Services Limited (CPT), a company owned jointly by the Scheme and the Mineworkers' Pension Scheme (MPS), acts as the Scheme's Executive.

CPT is responsible for dealing with questions concerning the provisions of the Scheme and any correspondence addressed to the members of the Committee. The company also provides other services to the Committee, including secretariat, financial management, actuarial support and investment monitoring.

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

As at 31 March 2022 three members of the Committee sat on the Board of CPT. These were Dame Kate Barker, G James Shearer and Bleddyn W Hancock. The Board met three times during the year.

Internal Dispute Resolution Procedure

In accordance 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 Scheme operates an Internal Dispute Resolution Procedure. This legislation provides members with the right to ask for any complaint which the Scheme's administrators have been unable to resolve to be referred to the Committee or to a person appointed by them.

The Committee has appointed the Scheme Secretary to consider complaints made by members. Any members not satisfied with a decision can appeal to the DASC.

During the year four complaints were made using the procedure, one of these complaints was upheld. Two appeal cases were considered, and subsequently not upheld, by the DASC or the Committee. Two complaints were taken to the Pensions Ombudsman, both of which are ongoing. The complaint taken to the Pensions Ombudsman last year is also still ongoing.

Statement of Investment Principles

Under Clause 10A of the 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 during the year, primarily to reflect the recently agreed policies around responsible investment and stewardship.

A copy of the current statement of the principles governing decisions about investments for the purposes of the Scheme is available on the Scheme's website (www.bcsss-pension.org.uk) and on application to the Scheme Secretary.

Membership

The changes in membership for deferred pensioners and pensioners are detailed on pages 18 to 19.
The Scheme has no active members and is fully closed with no provision for new entrants.

Annual General Meeting

The 2021 Annual General Meeting (AGM) was held in Nottingham and online. Presentations were delivered to the meeting by the Scheme Chairman, the Co-Chief Executive Officer of CPT and the Scheme Secretary.

The 2022 AGM is due to be held on 29 September 2022 at the Double Tree by Hilton Edinburgh Airport, and will also be accessible to members online on YouTube.

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 high 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 both external and internal audit and other assurance reviews, according to a programme of audit and assurance work approved by the Committee and overseen by the RASC.

Transfers out of the Scheme

Transfer values paid during the Scheme year in respect of transfers to other pension schemes have been calculated on a basis provided and verified by the Actuary in accordance with the Pension Schemes Act 1993. 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 provision representing arrears for any past underpayments up to the date of the accounts will be included in the Scheme financial statements.

Statement of Trustee's Responsibilities in Respect of the Accounts

The British Coal Staff Superannuation Scheme is governed by the Scheme and Rules set out in the Schedule to the British Coal Staff Superannuation 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 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.

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 is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

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.

Report on the 2021 Actuarial Valuation

Background

The Scheme is exempt from the statutory scheme funding requirements (Part 3 of the Pensions Act 2004). Instead the funding requirements of the Scheme are set out in the Agreement signed on 13 February 2015 between the Trustee and the Guarantor.

Schedule 2 of the Agreement states that the Actuary is required to perform an Actuarial Valuation and produce a report every three years to advise the Guarantor and the Committee of the following percentages:

1. The annual compound real return (above RPI) on the Scheme's total assets that would be needed over the lifetime of the Scheme to expect to be able to meet the Scheme's future benefits payments and the Scheme's expenses (the 'Obligations Percentage'); and

2. The annual compound real return (above RPI) on the Scheme's total assets that would be needed over the lifetime of the Scheme to expect to be able to meet the Scheme's future benefit payments, the Scheme's expenses and a payment to the Guarantor on 31 March 2033 equal to the 2015 Reserve increased in line with cumulative changes in the Consumer Prices Index (the 'Buffer Percentage').

Results

The last Actuarial Valuation was conducted as at 31 March 2021 and concluded on 11 April 2022. A summary of the valuation results is given in the table below:

	Result at 31 March 2021
Value of the Scheme assets	£9,597 million
Obligations Percentage	-1.7% pa
Buffer Percentage	-0.1% pa

Schedule 2 of the Agreement sets out certain triggering events, which require the Committee and the Guarantor to consult with a view to agreeing a course of action, whose purpose is to achieve an intended outcome.

A triggering event occurs if the valuation results show the:

- Obligations Percentage is in excess of 5% pa; or
- Buffer Percentage is less than 1% pa.

As the Buffer Percentage was below 1% pa at the 2021 valuation, there was a triggering event. As a result, the Committee and Guarantor are obliged to consult on what action, if any, needs to be taken to meet the intended outcome set out in the Agreement.

The intended outcome, in the case of this triggering event, is that the Scheme's assets are not materially more than sufficient to both:

- Meet the Scheme's future benefit payments and expenses; and
- Maintain the 2015 Reserve, increased in line with cumulative changes to the Consumer Prices Index, until 31 March 2033.

The consultation between the Committee and the Guarantor commenced in Spring 2022.

Method and significant assumptions adopted at the 2021 Actuarial Valuation

The valuation methodology is to project the expected cash-flows of the Scheme (and target payment to the Guarantor, as appropriate) and then to calculate, at the valuation date, the annual real rates of return required on the Scheme's assets over the Scheme's lifetime, in order to meet the Scheme's expected cash-flow requirements.

The following significant assumptions were adopted for this valuation:

- As at 31 March 2021 the Actuary assumed the following about future annualised inflation:

Period	Retail Price Index (RPI)	Consumer Price Index (CPI)
Up to 31 December 2029	3.30% per annum	2.30% per annum
From 1 January 2030	2.40% per annum	2.30% per annum

- Pension increases are derived from the assumed future inflation assumptions (as shown above) according to the provisions of the Scheme Rules.
- 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.

Further details about the Actuarial Valuation are included in the Actuary's report on page 51. The next Actuarial Valuation will have an effective date of 31 March 2024.

Analysis of changes in the number of deferred pensioners and Equivalent Pension Benefits (EPB)
During the year ended 31 March 2022

	Deferred pensioners	EPB only*
At the beginning of year	**1,868**	**18**
Additions during the year:	-	-
Total additions:**	**3**	**2**
Reductions during year:		
Retirements:		
- normal retirement age	106	-
- commuted trivial pension	-	1
- early retirement with no actuarial reduction	4	-
- early retirement with actuarial reduction	55	-
- after further deferment	93	-
Deaths notified to the Scheme	3	-
Transfers out	6	-
Total reductions	**267**	**1**
Total at end of year	**1,604**	**19**

*Equivalent Pension Benefit (EPB)

Members who left service early with a refund of contributions and who were contributors between April 1961 and April 1975 generally had an Equivalent Pension Benefit (EPB) preserved in the Scheme. This is broadly equivalent to the pension to which they would have been entitled from the State Graduated Pension Scheme, had the BCSSS not been contracted out of that scheme. The BCSSS pays this from age 60 rather than from State Pension Age.

**Additions

The three new deferred pensioners are pension credit members (ie ex-spouses of BCSSS members who have been awarded a BCSSS pension as part of the divorce settlement). The two new EPB only members are members who were previously archived but have now been reinstated following contact with the member.

Analysis of changes in the number of pensioners and pensions in payment including bonuses During the year ended 31 March 2022

	Former contributors		Widow(er)s and dependants		Children	
	Number	Annual rate	Number	Annual rate	Number	Annual rate
Guaranteed Pension		**£'000**		**£'000**		**£'000**
At the beginning of year	**32,229**	**365,938**	**12,391**	**100,832**	**124**	**445**
Adjustments	1	1	-	-	-	-
Adjusted opening figure	**32,230**	365,939	12,391	100,832	124	445
Additions during the year:						
Awards on retirement	258	1,850	-	-	-	-
New pension credit members	7	40	-	-	-	-
Awards on death of pensioners	-	-	688	6,152	2	15
Pension increases	-	20,826	-	5,809	-	28
Total additions	**265**	**22,716**	**688**	**11,961**	**2**	**43**
Deductions during year:						
Death of pensioners	1,414	16,475	1,087	8,999	-	-
Cessations	-	-	1	2	5	14
Commuted Benefits	1	1	3	1	-	-
Total reductions	**1,415**	**16,476**	**1,091**	**9,002**	**5**	**14**
Total guaranteed pensions at end of year	**31,080**	**372,179**	**11,988**	**103,791**	**121**	**474**
Level Bonus*	-	72,331	-	17,953	-	69
Total	**31,080**	**444,510**	**11,988**	**121,744**	**121**	**543**

* Payments arising from past surplus paid to pensioners.

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 Investment Sub-committee (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.

The Committee takes professional advice to ensure that risk in the long-term strategy is within acceptable limits.

Investment Review and Performance

On the whole, the year to March 2022 was positive for financial markets. Very strong post-Covid returns ultimately drove markets to peak in December 2021 before increasing volatility caused assets to fall from their highs. The nine months to December saw a continuation of the post-Covid environment with loose fiscal and monetary policy supporting asset prices.

Inflation increased worldwide throughout the year with a number of high profile supply shocks contributing. Inflation in the US took centre stage with an increase from 4.2% in April 2021 to 8.5% in March 2022, the highest level in decades, prompting the Federal Reserve to raise interest rates more quickly than previously expected. This led to the equity and bond sell-off in the first quarter of 2022 that pared back the strong equity returns experience for most of the year. Real assets such as Property and Infrastructure performed well in the first quarter of 2022 as these assets are typically better at hedging inflation risks than other assets.

Global equity markets, as measured by the FTSE All World Index, rose by 11.7% in sterling terms over the year despite the volatility in the final few months. Worries about higher inflation were negative for bonds, with the FTSE All Gilt Total Return Index falling by -5.6%. Global credit, as measured by the Bloomberg Barclays Global Aggregate Credit Total Return Index, fell by -5.5%, highlighting the negative impact that rising interest rates had on credit asset returns. More positively UK commercial property, as measured by the MSCI/AREF UK Quarterly Property Fund Index, returned 23% over the year.

Sterling was down 5% against the US Dollar over the year, with the Dollar strengthening against most currencies.

During the year, the Committee continued to sell Property, as well as reduce exposure to Private Debt, Special Situations Debt and Shipping. Private Equity exposure increased during the period, reflecting very strong returns on the asset class. The main investments into assets over the period went to Government Bonds and Investment Grade Credit as the Committee focussed on ensuring future cash flows could be covered effectively.

The Scheme's investment managers and values of investment assets held at market value at 31 March 2022 are shown below:

	Total Net Assets £m
Cash	
Cash	65
Global Government Bonds	
BlackRock	521
Global Investment Grade Credit	
PGIM	747
Wellington	7
BlackRock	1,345
	2,099
Private Debt - Direct Lending	
Various	643
Private Debt - Other Strategies	
Various	75
Special Situations Debt	
Various	567
Public Equity	
BlackRock	1,330
AQR	289
Baillie Gifford	110
Cantillon	180
Franklin Templeton	75
Schroders	97
Ninety One	173
Genesis	98
JO Hambro Emerging	110
Green Court Capital Management	48
	2,510
Private Equity	
Various	1,419
Global Macro	
Bridgewater	137
Global Infrastructure	
Goldman Sachs	3
UK Infrastructure	
Dalmore Infrastructure	385
Greencoat Solar II	66
Aviva Infrastructure	88
	539
Property	
LaSalle	1,120
Shipping	
Tufton Oceanic	71
Other Opportunities	
Apollo Insurance	71
Brevan Howard	21
	92
Residual cash, assets and liabilities	(46)
Net Assets as at 31 March 2022	**9,815**

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

The analyses shown above are based on the underlying investments. These differ from the classifications used in note 6 to the accounts which have been presented in line with accounting standards.

The Committee uses Northern Trust (NT) to provide an independent measure of investment performance. Annualised returns over one, three and five year periods are shown below.

	Scheme Return %	Benchmark %
1 Year	8.64	4.92
3 Years	8.07	7.07
5 Years	7.67	6.23

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 executed 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 1, 3 and 5 years are lower than those of the previous benchmark.

The Scheme has outperformed the composite benchmark over one, three and five years. The Scheme also outperformed the previous benchmark over one and five years, marginally underperforming (by 0.13% per annum) over 3 years.

Custodial and Cash Arrangements

The transition of custodian services from JP Morgan Investor Services to The Northern Trust Company was completed on 1 April 2021.

The Scheme's quoted securities are held by the custodian, Northern Trust (NT), who also provide investment accounting, investment performance measurement, securities lending, derivatives valuations, alternative assets administration and other fund services.

Northern Trust manages most sterling, 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 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 held in pooled funds, which appoint their own custodians.

Property investments are primarily registered in the name of Coal Pension Properties Limited (CPPL) or Crucible Residential Properties Limited (CRPL) which are nominee companies controlled jointly by the Scheme and MPS 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.

Private equity, special situations debt and shipping investments are held in the name of the Coal Staff Private Equity Trust on behalf of the Scheme.

Global and UK infrastructure and private debt investments are held in the name of Coal Staff Superannuation Scheme Trustees Ltd on behalf of the Scheme.

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

Responsible Investing

The Committee has a responsible investment policy, which covers the integration of environmental, social and governance ("ESG") factors, climate change and stewardship of the Scheme's investments. In compliance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019 the most significant engagement and voting activities in the year are now included in the Implementation Statement on page 24.

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 and options, 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.

The Custodian, Northern Trust, also provides an independent valuation for derivatives.

Currency Hedge

Exposure to all non-sterling currencies within global government bonds, global investment grade credit and private debt is 100% hedged. Exposure to US dollars, euros and yen is 75% hedged in relation to public equity.

Appreciation

The Committee wishes to acknowledge the assistance it has received from all of its appointees over the year and to record its thanks for the work carried out by them.

Overview

BCSSS is a Defined Benefit pension scheme and the primary focus of this implementation statement is to show how the Committee has actioned the engagement and voting policies as outlined in the Statement of Investment Principles. The Committee agreed changes to its new Statement of Investment Principles on 16 March 2022, which reflected the new Responsible Investment Policy and Stewardship Policy adopted by the Committee on 14 December 2021.

The Committee believes that effective engagement and intervention requires a deep knowledge of the underlying businesses in which the Scheme invests and for this reason it has chosen to work closely with EOS at Federated Hermes ("EOS"). EOS undertakes the engagement and voting activities for most of the public equity managers, except those who are able to demonstrate to the Committee that they already undertake this activity effectively on the Scheme's behalf and that it is an integral part of their investment process.

For other investment classes the Committee relies upon its investment adviser, CPTI, to undertake effective due diligence and ongoing monitoring to ensure that ESG considerations are considered in the selection, retention, and realisation of investments through its investment managers.

Voting & Engagement Activity

The voting and engagement reports from EOS and the other investment managers are published on the Scheme website (www.bcsss-pension.org.uk/about-your-scheme/responsible-investing). The breakdown of the Scheme's public equity voting and engagement activity across EOS and the other investment managers is summarised in the next table.

Managers undertaking Voting & Engagement activity	Allocation at 31 March 2021	Allocation at 31 March 2022
EOS	38.3%	86.8%
BlackRock	48.1%	0.0%
Baillie Gifford	5.8%	0.0%
Ninety One	n/a	6.7%
Schroders	4.5%	3.7%
Green Court	2.2%	1.9%
AQR China	0.9%	0.9%
Total	**100.0%**	**100.0%**

Proxy voting services

EOS, Ninety One, Schroders and AQR China subscribe to voting research on investee companies from proxy advisors such as ISS. However, all voting decisions are made independently by the respective managers.

Voting Activity

Some of the most significant votes cast by the Committee, where the Committee voted against the recommendation proposed by the management, are highlighted on the next page, together with the reason for that decision.

All of the significant votes were consistent with the Committee's Stewardship Policy including in relation to linking pay and performance; promoting board diversity; and promoting transparency. If the vote passes, the board will be required to take action to meet the requirement.

Voting provider	Company	Date	Summary of resolution	Rationale for decision	Outcome of vote
EOS	Microsoft	30.11.2021	Advisory Vote to Ratify Named Executive Officers' Compensation	Apparent failure to link pay & appropriate performance	Pass
EOS	Netflix	03.06.2021	Report on Political Contributions	Shareholder proposal promotes transparency	Pass
EOS	Pfizer	22.04.2021	Report on Access to COVID-19 Products	Shareholder proposal promotes transparency	Fail
EOS	Tesla	07.10.2021	Assign Responsibility for Strategic Oversight of Human Capital Management to an Independent Board-Level Committee	Shareholder proposal promotes better management of ESG opportunities and risks.	Fail
EOS	Dell Technologies	22.06.2021	Elect Director Egon Durban	Concerns related to board ethnic and/or racial diversity	Pass
EOS	Royal Dutch Shell	18.05.2021	Approve the Shell Energy Transition Strategy	Inadequate management of climate-related risks	Pass
EOS	Zhejiang Sanhua Intelligent Controls Co.	03.08.2021	Elect Bao Ensi as Independent Director	Concerns related to approach to board gender diversity	Pass
BlackRock	Johnson and Johnson	22.04.2021	Adopt Policy to enforce a deferral period for short term bonuses	Executive compensation matters should be left to the board's compensation committee	Fail
BlackRock	Rio Tinto	06.05.2021	Approve Climate-Related Lobbying	In the best interests of shareholders to have greater disclosure on this issue	Pass
Schroders	MITIE Group	27.07.2021	Approve Remuneration Report	Pay for performance misalignment	Pass

Engagement Activity

CPTI, as primary investment advisor to the Committee, regularly engages with EOS and the relevant investment managers with regards to engagement and voting, on behalf of the Committee. This helps to ensure that the Scheme's interests are being represented in accordance with the policy agreed by the Committee.

EOS and the investment managers are kept under review with consideration given as to whether the voting and engagement best rests with the underlying investment manager or a third-party provider and whether EOS remains the appropriate third-party provider for the Scheme. As a result of this review process several changes were made over the reporting period. Voting and engagement for the Scheme's public equity mandate with Baillie Gifford was moved from Baillie Gifford to EOS. The Scheme's passive public equities were transitioned to a new BlackRock Low Carbon Transition Ready equity portfolio, with the voting and engagement rights on this account delegated to EOS. The Scheme also invested in a new environment strategy with Ninety One where voting and engagement is delegated to the investment manager.

Wider Stewardship initiatives

The Trustee is a signatory to the Financial Reporting Council's (FRC) UK Stewardship Code. This sets out several areas of good practice to which the FRC believes institutional investors should aspire. It also describes the steps that asset owners can take to protect and enhance the value that accrues to the ultimate beneficiary. The Code explicitly places an obligation on signatories to consider how ESG issues impact on investments. The Trustee is required to report annually on its stewardship activities to remain a signatory and these annual stewardship reports are published on the Scheme website. (www.bcsss-pension.org.uk/about-your-scheme/responsible-investing)

The Committee continues to strengthen its oversight of the investment managers approach to Stewardship across all asset classes and this approach was further clarified in the Scheme's Stewardship Policy adopted in December 2021. CPTI regularly reviews the Scheme's investment managers in relation to their integration of environmental, social and governance ("ESG") factors in investment decision making and has developed a robust rating system to identify leaders and ensure minimum standards are met.

External investment managers must be able to explain the ESG considerations included in making investment decisions. In particular, investment managers must be able to demonstrate that where there is a material risk or return consideration to an underlying investment from one or more ESG factors, they are able to identify, model as appropriate, and consider the potential threats and/or opportunities to their investment case. CPTI continue to evolve this assessment, in particular, with an increased focus on climate change and with access to more ESG data. This includes work to better understand the exposure to climate risk within the investment portfolio by looking at various carbon emission measures. The Committee is also exploring investments in climate opportunities in both private markets and public equities.

BCSSS British Coal Staff Superannuation Scheme

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. This 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 31 October 2022 on the Scheme website (www.bcsss-pension.org.uk/about-your-scheme/responsible-investing). Climate scenario analysis has also been undertaken and the results of this analysis will be included in the reporting.

The Committee has confirmed on 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.

For and on behalf of the Committee of Management:

Dame Kate Barker Chairman

Alan Whalley Committee Member

12th July 2022

Year ended 31 March 2022

	Note	2022 £m	2021 £m
Contributions and benefits			
Benefits paid and payable	2	(570)	(587)
Payments to and on account of leavers	3	(3)	(1)
Administrative expenses	4	(4)	(3)
Net withdrawals from dealings with members		**(577)**	**(591)**
Returns on investments			
Investment income	5	229	229
Change in market value of investments	6	585	1,232
Investment management expenses	7	(19)	(33)
Net returns on investments		**795**	**1,428**
Net increase/(decrease) in the Fund during the year		**218**	**837**
Net assets of the Scheme at the beginning of the year		**9,597**	**8,760**
Net assets of the Scheme at the end of the year		**9,815**	**9,597**

BCSSS British Coal Staff Superannuation Scheme

As at 31 March 2022

	Note	2022 £m	2021 £m
Investment assets	6		
Equities		2,388	1,329
Fixed income securities	8	3,197	2,826
Property	9	1,108	1,024
Pooled investment vehicles	10	2,901	3,916
Derivatives	11	45	72
Shipping	12	71	102
Cash and cash equivalents		206	386
Other financial assets	13	57	114
		9,973	9,769
Investment liabilities			
Derivatives	11	(85)	(71)
Other financial liabilities	13	(45)	(108)
Net investment assets		9,843	9,590
Current assets	18	1	16
Current liabilities	19	(29)	(9)
Net assets of the Scheme at 31 March		9,815	9,597

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 account of such obligations, is dealt with on page 16 of the Report of the Committee of Management. These financial statements should be read in conjunction with the actuarial position reported on page 16.

The notes on pages 30 to 47 form part of these financial statements.

These accounts were approved by the Committee on 12th July 2022.

For and on behalf of the Committee of Management

Dame Kate Barker Chairman

Alan Whalley Committee Member

Scheme Registration Number: 10151637

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). 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 52.

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 FRS102 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 6.

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 is quoted, when the Scheme's right to receive the 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 included 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 16.

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 16.

The methods of determining fair value for the principal classes of investments are detailed below.

- 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 estimated by the Committee based on advice from 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 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 31 March 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.

- Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, and normally transacted over-the-counter (OTC). They are valued at the current value of future expected cash flows arising from the swap, determined using a discounted cash flow model and market data at the reporting date.

- 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.

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 15 but not recognised as a Scheme asset.

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

2. Benefits

	2022 £m	2021 £m
Pensions	437	450
Dependant benefits	120	122
Commutations and lump sum retirement benefits	13	15
Total	**570**	**587**

3. Payments to and on account of leavers

	2022 £m	2021 £m
Individual transfers to other schemes	3	1

4. Administrative expenses

	2022 £m	2021 £m
Pension Administration	3	2
Legal, Actuarial and Other fees	1	1
Total	**4**	**3**

5. Investment income

	2022 £m	2021 £m
Dividends from equities	32	18
Income from fixed income securities	92	103
Net rents from properties	44	42
Income from pooled investment vehicles	48	41
Net income from shipping	12	23
Interest on cash deposits and margin accounts	1	1
Other	-	1
Total	**229**	**229**

Net rents from properties is stated after deducting £10 million (2021: £15 million) of property related expenses. Net income from shipping is stated after deducting £12 million (2021: £24 million) of shipping related expenses.

6. Investment reconciliation table

	Value at 1 April 2021	Reallocation of investments	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 March 2022
	£m	£m	£m	£m	£m	£m
Equities	1,329	(77)	5,060	(3,870)	(54)	2,388
Fixed income securities	2,826	72	3,335	(2,974)	(62)	3,197
Property	1,024		20	(151)	215	1,108
Pooled investment vehicles	3,916	77	2,979	(4,665)	594	2,901
Derivatives	1	(5)	391	(329)	(98)	(40)
Shipping	102	3		(29)	(5)	71
	9,198	70	11,785	(12,013)	585	9,625
Cash and cash equivalents	386	(66)				206
Other financial assets and liabilities	6	(4)				12
Total investments	**9,590**	**-**				**9,843**

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 below.

	2022	2021
	£m	£m
Fixed income securities	559	760
Pooled investment vehicles	187	192
Shipping	71	105
Total	**817**	**1,057**

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	2	2	1
Property	1	1	-
Shipping	1	1	1
Total	**4**	**4**	**2**

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

7. Investment management expenses

	2022 £m	2021 £m
Administration, management and custody	14	28
Other advisory fees	5	5
Total	**19**	**33**

Other advisory fees include £2.2 million (2021: £2.5 million) of costs relating to CPTI, the Scheme's investment adviser. Also included in other advisory fees are £2.5 million (2021: £2.8 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.

8. Fixed income securities

	2022 £m	2021 £m
Bonds	2,554	2,078
Loans	643	748
Total	**3,197**	**2,826**

Loans comprise secured loans made direct to entities through five 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.

9. Property

	2022 £m	2021 £m
UK property	1,108	1,024

10. Pooled investment vehicles

	2022 £m	2021 £m
Equities	72	1,043
Debt	642	708
Private equity	1,415	1,363
Infrastructure	543	519
Hedge funds	158	217
Insurance	71	66
Total	**2,901**	**3,916**

Pooled investment vehicles include holdings in UK and overseas equities, bonds, loans, derivatives, infrastructure and insurance. 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 table above have been revised to reflect SORP guidance more accurately.

The Scheme is sole investor in one UK Infrastrucure pooled arrangement valued at £263 million (2021: £259 million). The underlying assets and liabilities of the arrangement are as follows:

	2022 £m	2021 £m
Infrastructure investment assets		
Energy and utilities	135.1	131.6
Social infrastructure	81.4	81.8
Transport	45.3	44.1
Current assets	1.9	1.1
Current liabilities	(0.5)	-
	263.2	**258.6**

The Scheme is also sole investor in one other infrastructure fund valued at £90 million (2021: £62 million) and two special situation debt funds valued at £78 million in aggregate (2021: £103 million).

11. Derivative contracts

	2022 £m	2021 £m
Assets		
Futures contracts	18	5
Forward foreign exchange contracts	14	57
Swaps	13	10
Liabilities		
Futures contracts	-	-
Forward foreign exchange contracts	(70)	(39)
Swaps	(15)	(32)
Net derivative contracts	**(40)**	**1**

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.
- Swaps are used for efficient portfolio and risk management as well as hedging purposes in pursuit of the Scheme's investment objective. They provide exposure to interest bearing assets and debt investments in both sterling and foreign currencies.

Forward foreign exchange contracts

	Bought £m	Sold £m	Asset £m	Liability £m
Euro	384	(1,056)	3	(10)
Sterling	4,808	(1,798)	-	-
US dollar	1,322	(3,238)	6	(45)
Yen	49	(165)	4	-
Other	64	(426)	1	(15)
Total	**6,627**	**(6,683)**	**14**	**(70)**

The table above 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 and short index futures contracts with economic exposure of £46 million (2021: £139 million) and £337 million (2021: £367 million) respectively. The majority expire within 3 months of year-end and are held on various global market indices. The market values of these positions are an asset of £18 million (2021: £5 million) and a liability of £nil (2021: £nil) giving a net asset position of £18 million (2021: net asset £5 million).

Swaps contracts

Contract	Expiration	Nature of Swap	Notional Principal £m	Asset £m	Liability £m
Interest rate swaps	1 to 28 years	Paying and receiving fixed for floating	**1,510**	**13**	**(15)**

The notional principal amount of the swap is used for the calculation of cash-flow only. At the end of the year the Scheme held collateral of £2 million (2021: £4 million) in respect of OTC swaps.

12. Shipping

	2022 £m	2021 £m
Shipping	71	102

The Scheme's shipping investments are held through wholly owned subsidiary undertakings. When shipping investments are sold, the period between the initiation and completion of the disposal process can take time.

13. Other financial assets and liabilities

	2022 £m	2021 £m
Amounts due from brokers	30	66
Outstanding income and withholding tax	29	47
Other debtors	1	1
Amounts due to brokers	(39)	(61)
Other creditors	(9)	(47)
Total	**12**	**6**

Following a review of the statement of net assets, the trade creditor balances and other liabilities previously recorded as part of investment liabilities have been re-classified more appropriately as current liabilities in the current year and are included in the balances shown in note 19.

BCSSS British Coal Staff Superannuation Scheme

14. 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 31 March 2022 was £0.2 million (2021: £0.2 million).

15. 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 £m	Collateral provided 2022 £m	Securities on loan 2021 £m	Collateral provided 2021 £m
Equities	41	44	-	-
Fixed income securities	322	341	-	-
Total	**363**	**385**	**-**	**-**

In the previous year, securities on loan were returned to the Scheme due to the custodian transition from JP Morgan to Northern Trust.

16. 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 £m	Level 2 £m	Level 3 £m	Total £m
Equities	2,388	-	-	2,388
Fixed income securities	-	2,554	643	3,197
Property	-	-	1,108	1,108
Pooled investment vehicles	-	71	2,830	2,901
Derivatives	18	(58)	-	(40)
Shipping	-	-	71	71
Cash and cash equivalents	180	26	-	206
Other financial assets and liabilities	12	-	-	12
Total investments	**2,598**	**2,593**	**4,652**	**9,843**

Fair value hierarchy of investment assets and liabilities 2021

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	1,329	-	-	1,329
Fixed income securities	645	1,438	743	2,826
Property	-	-	1,024	1,024
Pooled investment vehicles	-	1,043	2,873	3,916
Derivatives	5	(4)	-	1
Shipping	-	-	102	102
Cash and cash equivalents	386	-	-	386
Other financial assets and liabilities	6	-	-	6
Total investments	**2,371**	**2,477**	**4,742**	**9,590**

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 8 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 level 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

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.

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

Swaps are valued at the net present value of future cash flows arising therefrom. These are included at level 2 in the fair value hierarchy.

Shipping

With the exception of two vessels, 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 vessels 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. Shipping investments are included at level 3 in the fair value hierarchy.

Cash and cash equivalents

Cash held in interest bearing bank accounts is included at level 1 in the fair value hierarchy.

17. Concentration of investments

There are no investments in funds as at 31 March 2022 (2021: nil) which account for more than 5% of the Scheme's net assets.

18. Current assets

	2022 £m	2021 £m
Cash at bank	1	16

Following the transition of the custodian services to Northern Trust, the cash held for paying expenses, previously included in current assets, has now been transferred to investment cash.

19. Current liabilities

	2022 £m	2021 £m
Tax and VAT	7	9
Other creditors and unpaid benefits	22	-
Total	**29**	**9**

As described in note 13, amounts previously recorded as part of investment liabilities have been re-classified more appropriately as current liabilities in the current year.

20. Related party transactions

It is intended that any remaining balance of the Adjusted Reserve will be paid to the Guarantor within twelve months of 31 March 2033. As at 31 March 2022 the balance of the Adjusted Reserve was £1.98 billion.

The Scheme owns UK Government bonds which at the year-end had a market value of £163 million (2021: £7 million).

During the year the Scheme paid £499,496 (2021: £77,138) to the Government Actuary's Department (GAD) for provision of actuarial services.

Five members of the Committee were in receipt of a pension from the Scheme. The aggregate amount paid was £203,840 (2021: five members, £208,435).

Members of the Committee are entitled to receive remuneration from the Scheme. The total remuneration paid in the year was £283,114 (2021: £285,150) and is detailed in the Report of the Committee of Management.

CPT is jointly owned by the Scheme and MPS 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 4 and were £2.0 million (2021: £1.6 million). CPTI costs, which are in respect of investment advisory services, are included within other advisory fees in note 7 and were £2.2 million (2021: £2.5 million).

The Scheme and the MPS jointly invest in properties and partnerships with a value to the Scheme of £183 million (2021: £168 million).

21. 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 £187 million (2021: £300 million), special situations debt of £362 million (2021: £444 million), global and UK infrastructure of £26 million (2021: £30 million), insurance of £34 million (2021: £34 million) and hedge funds of £33 million (2021: nil). There were further commitments of £36 million (2021: £53 million) of secured loans included within the fixed income securities mandate and property and development costs of £1 million (2021: £10 million).

Forward commitments in relation to the secured loans, infrastructure and property purchases and development costs will be paid within approximately twelve months of the year-end whilst the special situations debt commitments will be paid within two to three years. The timing of private equity funding is uncertain but it is assumed that £62 million (33%) will fall due in the next twelve months and the remaining £125 million in later years.

As explained in note 20 it is intended that any remaining balance of the Adjusted Reserve will be paid to the Guarantor within twelve months of 31 March 2033. As at 31 March 2022, the balance of the Adjusted Reserve was £1.98 billion.

22. GMP Equalisation

As noted on page 14 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 provision representing arrears for any past underpayments up to the date of the accounts will be included in the Scheme financial statements.

23. Contingent assets not provided for in the accounts

Claims for the recovery of UK and overseas tax credits valued at approximately £12 million (2021: £66 million) are being processed through the Courts as part of a group arrangement with other UK pension funds.

24. 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 objective of the Committee is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the Scheme's future benefit payments, the Scheme's expenses and the lump sum payment due to the Guarantor on 31 March 2033, as they fall due.

The Committee sets the investment strategy for the Scheme taking into account considerations such as the Government Guarantee, the Scheme's future payments and the funding requirements of the Scheme as set out in the Agreement.

The Committee bases its investment philosophy on an assessment of the economic situation, potential 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 and the economic situation. There are no minimum or maximum levels for any asset category or region.

Asset liability modelling, cash flow projections and other forms of risk analysis are used to estimate the return expectations of the portfolio, the probability of achieving the funding objective and the risks of failing to achieve the funding objective.

Consistent with the above objective and the Committee's strategic investment framework, separate growth and cash flow line of sight portfolios have been established, which take account of the need to grow assets and the need to meet benefit payments. The strategic investment framework has regard to the following:

- Return objective: Need to deliver returns over the future lifetime of the Scheme sufficient to be able to meet the Scheme's payment obligations in full.
- Probability of success: Improve the probability of being able to pay all future member benefits from the Scheme's assets.
- Cash flow coverage: Ensuring that the projected levels of cash, income and asset redemptions are sufficient to meet benefit payments and other contractual requirements over future periods.
- Economic scenarios: for all the above measures, consideration of the outcomes across a full range of economic scenarios.

The growth and cash flow line of sight portfolios will be reviewed regularly, having regard to the above measures and reflected in an annual investment plan approved by the Committee.

Mandates with the Scheme's investment managers are structured to reflect the investment objectives and risk tolerances. Progress towards the objectives and risk levels are monitored by the Committee by regular reviews of the investment portfolios. Further information on the Committee's approach to 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 on the next page, 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	2,398	131	668	**3,197**
Pooled investment vehicles	-	-	2,901	**2,901**
Securities lending – collateral cash	77	-	-	**77**
Cash and cash equivalents	206	-	-	**206**
Total	**2,681**	**131**	**3,569**	**6,381**

2021

	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Credit risk				
Fixed income securities	2,009	74	743	**2,826**
Pooled investment vehicles	-	-	3,916	**3,916**
Cash and cash equivalents	386	-	-	**386**
Total	**2,395**	**74**	**4,659**	**7,128**

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 interest 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.

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

	2022 £m	2021 £m
Unit linked insurance contracts	-	1,043
Partnership interests	2,901	2,873
Total	**2,901**	**3,916**

Credit risk on OTC derivative contracts (which include forward foreign exchange contracts and swaps) 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 swaps 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 below summarises the Scheme's net unhedged exposure by major currency at the year-end.

	2022 £m	2021 Reanalysed £m
Direct currency risk		
US dollar	328	310
Hong Kong dollar	138	110
Swiss franc	79	15
Tawain dollar	75	42
Indian rupee	69	42
Korean won	61	42
Australian dollar	52	5
Canadian dollar	50	4
Chinese yuan	50	19
Danish Krone	47	3
Other currencies	264	143
Indirect currency risk		
Pooled investment vehicles	1,918	2,213
Total	**3,133**	**2,948**

Given the changes in the 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 the bonds and private debt mandates are fully hedged at the reporting date. Within the public equity mandates exposure to US dollars, 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 below summarises the Scheme's exposure to direct interest rate risk at the year-end.

	2022 £m	2021 £m
Interest rate risk		
Fixed income securities	3,197	2,826
Pooled investment vehicles	642	708
Total	**3,839**	**3,534**

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 £m	2021 £m
Direct price risk		
Equities	2,388	1,329
Property	1,108	1,024
Shipping	71	102
Indirect price risk		
Equity pooled investment vehicles	1,487	2,406
Infrastructure pooled investment vehicles	543	519
Total	**5,597**	**5,380**

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

25. Related undertakings of British Coal Staff Superannuation 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 31 March 2022 is disclosed below. All undertakings are indirectly owned by BCSSS other than those indicated.

Name of undertaking	Country of incorporation	Share class	% held by BCSSS
Coal Staff Superannuation Scheme Ltd[1]	England & Wales	Limited by guarantee	100[12]
Coal Pension Trustees Services Ltd[1]	England & Wales	£1.00 B Ordinary shares[11]	100[12]
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 Securities Nominees Ltd[1]	England & Wales	Limited by guarantee	50
Coal Pension Venture Nominees Ltd[2]	England & Wales	Limited by guarantee	50[12]
Coal Pension Securities Nominees Ltd [13]	Guernsey	Limited by guarantee	50[12]
Coal Pension Properties Ltd[4]	England & Wales	Limited by guarantee	50[12]
CPPL (Sefton Park 1) Ltd[4]	England & Wales	£1.00 Ordinary shares	100
CPPL (Sefton Park 2) Ltd[4]	England & Wales	£1.00 Ordinary shares	100
Crucible Residential Properties Ltd[4]	England & Wales	£1.00 Ordinary shares	50[12]
BCSSS Property Holding Ltd[4]	England & Wales	£1.00 Ordinary shares	100
BCSSS Property GP Ltd[4]	England & Wales	£1.00 Ordinary shares	100
Greengate GP Limited Liability Partnership[4]	England & Wales	£1.00 Ordinary shares	45.5
Greengate (Manchester) Limited Partnership[4]	England & Wales	Limited Partnership	45.5
Greengate (Manchester) Nominee Limited[4]	England & Wales	£1.00 Ordinary shares	45.5
Exchange GP LLP[4]	England & Wales	£1.00 Ordinary shares	44.2
Exchange (Birmingham) LP[4]	England & Wales	Limited Partnership	44.2
Beeston Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Thira Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Barbourni Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Malmo ShippingLtd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Gwen Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Elsa Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Anafi Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100

25. Related undertakings of British Coal Staff Superannuation Scheme (continued)

Name of undertaking	Country of incorporation	Share class	% held by BCSSS
BSL Dewey Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Donald Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BCSSS AAIP Cayman Feeder Ltd[7]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS SSD Ltd[8]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS AEPF3 Ltd[8]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS Investments Ltd[9 and 13]	Jersey	$1.00 Ordinary shares	100
BCSSS Investments 2 Ltd[9 and 13]	Jersey	$1.00 Ordinary shares	100
BCSSS Holdco UK Ltd[10]	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 *4 Robinson Road, #05-01 The House of Eden, Singapore, 048543.*
7 *C/o Maples Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY-1104, Cayman Islands.*
8 *C/o Walkers Corporate Services Ltd, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.*
9 *Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.*
10 *Forum 4, c/o Aztec Financial Services (UK) Ltd, Solent Business Park, Parkway South, Whiteley, Fareham, Hampshire, PO15 7AD.*
11 *MPS holds 100% of the £1.00 A Ordinary shares of CPT Services Ltd. CPT Services Ltd is a jointly owned entity of the Scheme and MPS.*
12 *Entity held directly by the Scheme.*
13 *Formerly BCSSS Investments Sárl and BCSSS Investments 2 Sárl; these companies were re-domiciled in Jersey and renamed.*

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the British Coal Staff Superannuation Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 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 accordance with the Scheme and Rules set out in the Schedule to the British Coal Staff Superannuation Scheme (Modification) Regulations 1994 and as subsequently amended.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 25.

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 the 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 of 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 below.

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 Trustees 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 as set out in the Schedule to the British Coal Staff Superannuation (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 of 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 Scheme and Rules as set out in the Schedule to the British Coal Staff Superannuation 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
Statutory Auditor
Reading, United Kingdom
12 July 2022

An actuarial review of the Scheme is carried out by the Government Actuary every three years. The most recent review was as at 31 March 2021 and is described in my report dated 11 April 2022.

The results of the 31 March 2021 review are set out below. The results are based on a total Scheme asset value of £9,597 million, which is the market value as at 31 March 2021. Both the percentage figures quoted below are annual real returns (above RPI) that must be earned over the Scheme's lifetime.

Obligations Percentage:	**-1.7% pa**	The real return required on the Scheme's total assets to meet the Scheme's expected future member benefit payments and associated expenses.
Buffer Percentage:	**-0.1% pa**	The real return required on the Scheme's total assets to meet the Scheme's expected future member benefit payments, associated expenses and a payment to the Guarantor in 2033*.

*The value of the payment to the Guarantor as at 31 March 2021 was £1,874 million. This payment is equal to the Guarantor's share of the Scheme surplus when the coal industry was privatised, less the parts of that surplus already released to the Guarantor up to April 2015, accumulated with investment returns to 31 March 2015, and CPI inflation thereafter.

The required rates of return determined at the 2021 review were notably lower than those calculated at the previous review as at 31 March 2018 (when the Obligations and Buffer Percentages were -0.1% pa and 1.2% pa, respectively). The reductions mainly reflect favourable investment performance between 31 March 2018 and 31 March 2021. As the Buffer Percentage fell below 1% a year, a consultation between the Guarantor and the Trustees has been triggered.

The actuary is also required to advise the Guarantor and the Trustee if, in his opinion, the total value of the Fund is less than will be needed to meet the Scheme's benefit payments and expenses over a period of three years. In my opinion, the Fund is sufficient to meet the Scheme's benefit payments and expenses for a period well in excess of three years.

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 inflation (both RPI and CPI) and the future mortality rates.

For more information, please refer to my report dated 11 April 2022. Copies are available from the Scheme Secretary.

Martin Clarke
Fellow of the Institute and Faculty of Actuaries
Government Actuary
5 May 2022

Compliance Statement

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

1. A printable version of the Pensions Regulator's Guidance for Trustees is available from the Pensions Regulator's website: www.thepensionsregulator.gov.uk or a copy is available for inspection at the address of the Scheme Secretary; Ventana House, 2 Concourse Way, Sheaf Street, Sheffield, S1 2BJ.

2. Coal Staff Superannuation Scheme Trustees Limited is registered with the Information Commissioner under the terms of the Data Protection Act 2018.

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

4. Cash equivalent transfer values paid during the year were calculated in accordance with the requirements of the Pension Schemes Act 1993. No discretionary benefits are included in the calculation of transfer values.

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

6. The Scheme's registration number with the Pensions Regulator is 10151637.

7. 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.

Constitution of the Scheme

The British Coal Staff Superannuation Scheme is governed by the Scheme and Rules dated October 1994, with subsequent amendments including the changes to the structure of the Scheme following the Sustainability Review and subsequent Agreement dated 13 February 2015.

Amendments to the Scheme and Rules

The power to amend the Scheme and Rules lies with the Guarantor, subject to certain restrictions. The Guarantor must first consult the Committee and, in certain circumstances, would require the approval of the Committee to make the amendment.

No Rule amendments were made during the year.

Pension Increases

The Rules provide that guaranteed pensions (in excess of the Guaranteed Minimum Pension (GMP)) should be increased annually in line with the percentage rise in the Retail Prices Index (RPI). The rise in the RPI over the twelve months to November 2021 was 7.1%; guaranteed pensions in payment and deferment were increased by this amount from 1 January 2022.

No discretionary increases were paid during the year.

Summary of Guarantee Arrangements

The Government Guarantee ensures that the Trustee will always be able to pay the promised benefits; these benefits also include the consolidated bonuses from 2020.

Actuarial Valuations are performed on a three-yearly basis by the Actuary in order to assess the future returns required on the Scheme's assets in order to pay the benefits and Investment Reserve repayment. The Actuary's Report on the latest valuation as at 31 March 2021 can be found on page 51.

For More Information

The Scheme's administration office will be able to provide information and answer questions about Scheme benefits. Questions about the general operation of the Scheme and the policy of the Committee of Management should be addressed to the Scheme Secretary. Mail addressed to a member of the Committee will normally be dealt with by the Secretary.

The Scheme website gives members access to information about the Scheme, online copies of Scheme publications, and forms which can be printed off to notify the Scheme of changes in circumstances.
The address is: www.bcsss-pension.org.uk. The Scheme's website also contains a link to the member website, from which members can access their personal Scheme information and update the information the Scheme holds about them.

The administration office address for postal correspondence is:

BCSSS
PO Box 555
Stead House
Darlington
DL1 9YT

The administration function remains at Capita's Sheffield office.

The address for the Secretary is:

The Secretary
BCSSS
Ventana House
2 Concourse Way
Sheaf Street
Sheffield S1 2BJ

This is also the registered office of Coal Staff Superannuation Scheme Trustees Limited.

Copies of the Scheme and Rules, the Annual Report and Accounts, Actuarial Valuation Reports and other Scheme publications are available from the Secretary.

Resolving difficulties

It is expected that most queries about benefits can be resolved by the Scheme's administration office. In the event that a complaint cannot be resolved by the administration office, Scheme members can lodge a formal complaint using the Scheme's Internal Dispute Resolution Procedure. Information about the procedure can be obtained from the Secretary at the address shown on the previous page.

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
E14 4PU

https://www.pensions-ombudsman.org.uk/

The Pensions Regulator (TPR) can intervene if it considers that a scheme's trustees, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
BN1 4DW

https://www.thepensionsregulator.gov.uk/

BCSSS is registered with the Pension Tracing Service which maintains a list of the up-to-date addresses of pension schemes to assist ex-members trace their rights if they have lost contact with a previous employer's scheme. The address for the Pension Tracing Service is:

400 Pavilion Road
Northampton
NN4 7PA

https://www.pensiontracingservice.com/
The Pension Tracing Service

BCSSS
British Coal
Staff Superannuation Scheme