

BRITISH COAL STAFF SUPERANNUATION SCHEME

Annual General Meeting

Introduction

Dame Kate Barker

Chairman of the
Committee of Management

AGM Presentation

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| 1. Chairman's Report | Kate Barker |
| 2. Funding Update & Investment Performance | Alan Rubenstein |
| 3. Key Statistics | Jon Heathfield |
| 4. Written Question & Answers | Jon Heathfield |
| 5. Chairman's Summary | Kate Barker |

Impact of Covid-19

- Adverse impact on Scheme asset valuations
- Significant ongoing challenges across all aspects of the business:
 - Volatile investment markets
 - Operating all aspects the Scheme remotely
 - Increase in member deaths
- But plans in place to deal with such a crisis worked well; able to continue to manage the Scheme throughout this difficult period.

Funding & Investment Overview

- Primary funding aim:
pay all future benefits to members as they fall due, without requiring funding from the Guarantor
 - To achieve aim Scheme assets need to provide a high level of return. But return alone is insufficient, so asset sales need.
 - Required return can't be achieved using low risk assets but higher risk assets can be more volatile.
 - Heightened risk of further market falls and volatility remains.
 - Long-term impact on the global economy is uncertain.
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Sustainability / ESG

Environmental - climate, pollution, scarce resources

Social - health, education, human rights

Governance – responsible business, levels of senior management pay, shareholder rights

- ESG factors:
 - Can impact investment outcomes
 - Are considered in all our investment decisions
 - Are likely to become even more important in a post Covid-19 world.

Other Considerations

- Scheme administrators - Capita Employee Benefits:
 - Good service level performance over Scheme year;
 - New technology to enable home working
 - Priority given to most critical services
 - Continued good service level working from home with an increased workload.
- Additional impact due to Covid-19 risks and restrictions
 - 2020 AGM cancelled
 - 2020 Pensioner Representative Election postponed



Alan Rubenstein

Chairman of the
Investment Sub-committee

Future Scheme Payments

Future Scheme Payments	
Future pension payments	£12.5 bn
Adjusted Reserve payment (2033)	£2.4 bn
Total	£14.9 bn

Investment Income

	2020 £m
Dividends from equities	25
Income from fixed income securities	138
Property rents	49
Income from pooled investment vehicles	35
Income from shipping	26
Other	<u>5</u>
Total	278

Assets at 31 March 2020

	Actual %	£m
Cash	3.0	262
Government bonds and credit	23.2	2,032
Private credit	18.3	1,603
Public equity	19.2	1,682
Private equity	13.7	1,200
Property and infrastructure	17.7	1,551
Global macro	2.2	193
Shipping	1.7	149
Other (new) opportunities	1.0	88
Total	<u>100.0</u>	<u>8,760</u>

Annualised Returns and Performance

	Updated Return %	Scheme Return* %	Benchmark %
1 Year	-0.40	-2.19	2.06
3 Years	4.52	3.89	4.76
5 Years	6.38	6.00	6.33

* As shown in Annual Report

Updated Return includes the finalised impact of the Equity hedge



Jon Heathfield

Scheme Secretary

Key Statistics for 2020

Total number of pensioner members	46,636
Total number of deferred members	2,200
Total benefits paid and transfers out	£603m
Net decrease in the Fund during the year	£621m
Net assets of the Scheme at the year-end	£8,760m

Fund Account

	£ million	£ million
Pensions & lump sums	(603)	
Administration Expenses	(3)	
<i>Total expenditure</i>		<i>(606)</i>
Investment income	278	
Investment management expenses	(31)	
Decrease in market value of investments	(262)	
<i>Net return on investments</i>		<i>(15)</i>
<i>Net decrease in the value of the Fund</i>		<i>(621)</i>
Net assets at 31 March 2019		9,381
Net assets at 31 March 2020		8,760



AGM Written Questions and Answers

Questions - Mr D Platts

Question 1

Covid-19 - Are there implications for the Scheme given Stock Market falls, zero interest/gilt rates, also high death rates etc. given assumptions adopted by the Actuary previously? What is the long-term effect on Scheme and Guarantor payments?

Question 2

GMP - The High Court has held further hearings in May of this year; when will Members be told of GMP uplifts, and will the Guarantor need to approve methodology to be adopted, or can our Trustees act without Guarantor agreement? Also, will GMP uplifts, impact tax-free Cash Entitlements paid to Members once their Scheme Pensions commenced?

Question – Mr TP Jackson

I am concerned by the differential caused by the percentage increase format on pensions each year. Would the Trustees not consider a flat monetary rate increase for all to slow down the huge gap it continues to allow and which subsequently causes a bigger divide year on year? The flat rate could be on a sliding scale on the number of years contributed, not just a percentage of final year's salary?

For example - two members both with 20 years' service:

A: starting pension £10,000; Average increase 4% per annum; Increased to £14802.39 after 10 years

B: starting pension £20,000; Average increase 4% per annum; Increased to £29604.53 after 10 years

These two examples do not take into consideration the years of contributions paid. I understand that it was a final salary pension but believe that a payment similar to my suggestion maybe possible.

Introduction

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Chairman of the
Committee of Management

Thank you

- Please send questions about the Scheme to Jon Heathfield (bcsss.enquiries@coal-pension.org.uk or call 0114 2536444)
- Questions received before 30 November will be published in Pensions News.
- 2021 AGM – 30 September 2021 at the Nottingham Conference Centre