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HOUSE OF COMMONS
LONDON SW1A 0AA

31 March 2021

Darren Jones MP
Chair
Business, Energy and Industrial Strategy Committee
House of Commons
London, SW1A 0AA

Dear Mr Jones,

Mineworkers' Pension Scheme

I am writing in my capacity as Member of Parliament for the Easington constituency, a former coalfield community that has a significant number of retired miners and their widows.

The Mineworkers Pension Scheme and the surplus sharing arrangements are of particular interest to MPs representing coalfield communities. For many years, a cross-party group of MPs has highlighted the unfairness of the 50/50 surplus sharing arrangements, taking the view that the Government is overcompensated as the Scheme's guarantor given the extremely low level of risk to the Treasury.

The Government have not acted with the utmost integrity on this issue. I would ask the Committee to note the House of Commons motion on Monday 10 June 2019. The House agreed the Government should review the existing arrangements for the sharing of the surplus generated by the Mineworkers' Pension Scheme. The Government disrespected parliamentary procedure; from the dispatch box, the Minister rejected the motions aims, refused to act on any motion passed by the House, and instructed their MPs to abstain and allow the motion to pass unanimously.

I want to thank the Business, Energy and Industrial Strategy Select Committee for honouring the will of parliament and for conducting this review of the surplus sharing arrangements.

How the 50/50 split was determined

There is a lack of clarity about how the 50/50 surplus sharing arrangements were determined at privatisation. Historically, previous valuations of the Scheme in 1987 and 1990 divided surpluses 70/30 in favour of mineworkers.

The decision to share the surplus 50/50 was agreed upon between the Government as guarantor and the Scheme Trustees without actuarial advice (PQ128727, 26 February 2018). While the guarantee provides security to pensioners, there is no financial basis on which the 50/50 split can be considered value for money for beneficiaries. I hope in the course of your Inquiry, the Committee will determine the Trustees motivation for accepting such arrangements without actuarial advice and consider whether they met their fiduciary responsibilities to the Scheme's members.

A Binder Hamlyn report prepared for the National Audit Office in 1995/96 estimated the projected value of payments to the Government over 25 years to be in the region of £2 billion from the two schemes (Mineworkers' Pension Scheme and the British Coal Staff Superannuation Scheme). To date, the Government have received in excess of £4 billion from the Mineworkers Pension Scheme alone and no call has been made on Treasury funds to support the scheme.

The Government have clearly been overcompensated, based on any objective assessment. Despite a global banking collapse in 2009/10 and an economic shut down due to Covid in 2020/21, the Government have never been required to contribute to the Scheme, highlighting the low level of risk the Scheme represents to the Treasury. In view of the distortion in the risks versus reward, the National Union of Mineworkers commissioned a report concluding that a 90/10 split of any future surpluses would be more appropriate and a fairer recognition of risk.

Do the terms remain fair?

As highlighted above, I believe the Scheme's terms have never been fair to beneficiaries. The arrangements were agreed without actuarial advice, and without such guidance, an appropriate level of compensation for the Government to act as guarantor could not be reasonably determined.

I have seen no evidence or reasoning as to why previous surplus sharing arrangements in 1987 and 1990 were insufficient or that the Government's risk was more significant at the time of privatisation to warrant the 50/50 split.

The vast majority of the schemes surpluses should have been used to enhance the pensions and retirement of miners and their widows. The very hazardous nature of the work meant that for most miners, industrial disease and ill health cut short their lives, with many not reaching retirement age.

The pensions received from the Scheme are incredibly modest. In 2019, the average pension was just £84 per week – made up of a £65 guaranteed pension and a £19 a week bonus pension.

Improving pensions for retired miners and their widows would support the Government's 'levelling up' agenda. The majority of retirees remain in coalfield communities, which have never fully recovered from the loss in employment from heavy industry. Improving the retirement and quality of life for pensioners by increasing disposable income would benefit the wider local economy in coalfield communities. The more disposable income in circulation will act as a stimulus for these struggling local economies.

What changes, if any, would the Scheme's beneficiaries like to see to the Scheme?

I believe the National Union of Mineworkers report supporting a 90/10 spilt should be the starting point to agree on new terms for the Scheme. I would also ask the Committee to consider the level of funding the Government has received to date and how this could be best used to improve the retirement and quality of life for pensioners, while at the same time, the Government retains a fair rate for the very low-risk guarantee they provide the Scheme. While it is impossible to predict the future, if the Scheme can weather a global banking collapse and a near-total covid economic shutdown, there seem to be few eventualities that would impact the Scheme to the point of requiring the intervention of the guarantor.

Thank you once again to the Committee for taking the time to consider this important issue. I hope following your Inquiry, the hard work and sacrifice of mineworkers will be recognised, and the flaws and unfairness of the Mineworkers Pension Scheme will be corrected.

Yours sincerely,

G Morris

Grahame Morris, M.P.