BCSSS
British Coal
Staff Superannuation Scheme

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

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Dear Mr Jones

Re: Mineworkers' Pension Scheme ("MPS") Inquiry

The British Coal Staff Superannuation Scheme ("BCSSS") provides pensions to former management, technical, administrative, clerical and supervisory industrial grade staff of British Coal. Your Committee's inquiry and the questions you have asked relate specifically to the MPS. As such, it is not appropriate for us to respond to those questions. However, some of the evidence presented to your Committee at the oral evidence session on 23 March 2021 referred to BCSSS, reflecting the fact that many of the provisions established and decisions made on privatisation of British Coal affected members of both the MPS and BCSSS. We thought it would be helpful to clarify that information.

BCSSS was closed to future benefit accrual in 1994 on the privatisation of British Coal. At that time, an agreement was reached between the Government and the BCSSS Trustees on future arrangements. These future arrangements were in most respects the same as those established for MPS and included a Government Guarantee, a 50/50 split of future surpluses between the Government and the BCSSS members, and RPI indexation of pensions.

The BCSSS is independent of MPS. It has its own Trustee Board and separate assets and liabilities. The Schemes do, however, have the same Guarantor (the Secretary of state for Business, Energy and Industrial Strategy) and share executive, investment and secretarial resource. Further, some BCSSS members are also members of MPS in respect of their employment with British Coal.

In their oral evidence to the Committee, the MPS Trustees referenced the report from the National Audit Office (NAO) on the Sale of the Mining Operations of the British Coal Corporation and the Binder Hamlyn advice underpinning the pensions aspects of that report. The figures contained in the NAO Report referred to MPS and BCSSS in aggregate.

Paragraph 1.21 of the NAO report, which concerns pensions, states "Binder Hamlyn, the National Audit Office's advisers, have calculated that, based upon middle range assumptions for future investment performance, the net present value of the projected payments to the Government over the next 25 years (net of any payments by the Government arising from its guarantee) is in the region of £2 billion in total from the two schemes. The Government Actuary's Department have carried out separate calculations which suggest that this estimate does not appear unreasonable."

The Trustees have not had sight of Binder Hamlyn's calculations, so it is not possible to know what assumptions underpinned those calculations. However, we understand from answers provided to parliamentary questions that Binder Hamlyn confirmed that the £2 billion net present value calculation was based on actual projected cash amounts of £8 billion.

To provide the Committee with a full picture of the actual financial outcomes to the Government since privatisation, I have set out below the receipts from (and payments to) BCSSS since 1994:

- From 1994 to date the Government has received cash payments from BCSSS totalling £3.2 billion.
- In addition, the Government is due further payments from the Scheme in future totalling circa £1.9 billion.

The Government has not made any payments arising from its guarantee. So, the Government has received, or expects to receive, a total of £5.1 billion from BCSSS as a result of the surplus sharing provisions.

We would of course be happy to provide further information about BCSSS if requested.

Yours sincerely

Kate Bark

Dame Kate Barker
Chairman