Department for Business, Energy & Industrial Strategy

The Rt Hon Anne-Marie Trevelyan MP
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Darren Jones MP
Chair of the Business, Energy and Industrial Strategy Committee
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Dear Darren,

I am writing to follow up on points raised at the oral evidence session of your enquiry into the Mineworkers' Pension Scheme (MPS) held on 13 April 2021.

There were two issues into which I agreed to look. The first, raised by Paul Howell, concerned how the arrangements for surplus sharing came into place. Given the time that has passed, it is difficult to provide much certainty about this. It is clear that the Government suggested an equitable split of surpluses in its 1993 consultation document. The Trustees accepted that surpluses should be shared, though they suggested that the 70/30 ratio used at the 1987 and 1990 valuations would "provide a useful guide in further discussions".

The Trustees' evidence to the Committee was that they were effectively asked to choose between a guarantee and a 50/50 split of surpluses or retaining all surpluses but with no guarantee. I have seen nothing that either confirms or contradicts this version of events, and I have no reason to doubt it.

The second question was raised by Nus Ghani. I was asked to consider the likelihood of the Government having to financially contribute to the Scheme before it is wound up. It is very difficult to predict the movement of markets over the next 40 years and what the impact of that movement might be on the Scheme's investment returns. The expectation is that returns will consistently exceed the relevant rate of inflation (currently RPI). If returns fail to keep up with RPI over the long term, the investment reserve would be needed to plug the gap and, once that were exhausted, the Government would need to inject new money. I am unable to quantify the risk of that happening, but it remains a real risk.

It has also come to light that there has been an error in figures submitted to Parliament which I wanted to clarify. The Department had previously stated that we had received £3.4bn as our share of surpluses from the MPS; this contradicted the figure from the Trustees of £3.1bn. We have traced the discrepancy back to an error a few years ago transcribing a number from a table into a PQ answer upon which subsequent figures in PQ answers and briefings had been based. I can confirm that the £3.1bn is correct.

I hope you will find this reply helpful.

Yours sincerely,

Anne Marie

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