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Mineworkers' Pension Scheme

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Report, together with formal minutes relating to the report

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Business, Energy and Industrial Strategy Committee

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Contents

Summary

Since privatisation of the Mineworkers' Pension Scheme in 1994, the Government has received 50% of surpluses in the Scheme's value, in return for providing a guarantee that the value of pensions will not decrease. At the time it was expected that the Government would receive approximately £4bn from the arrangement in today's money. However, to date, the Government has received £4.4bn, and is also due to receive at least another £1.9bn, on top of 50% off any future surpluses. The Government has not paid any funds into the Scheme in return.

The Government failed to conduct due diligence during the 1994 negotiations, and was negligent by not taking actuarial advice. There was no empirical analysis or evaluation to inform or support the 50:50 split, and it therefore remains arbitrary.

In this report we conclude that, in practice, the Government's entitlement to 50% of surpluses is not proportionate to the degree of financial risk it actually faces. Given that the Scheme has continued to produce strong returns despite the 2008 Financial Crisis and the COVID-19 pandemic, there is little reason to believe the Government will be required to pay into the Scheme before it is wound-up. Even if, in extremis, the Government is required to financially contribute at some point in the future, realistically its contribution will not come close to the (at least) £6.3bn it is currently due to receive in total.

In this report we conclude that, with the benefit of hindsight, it is clear that the Government has already profited greatly from the Scheme. The Government must acknowledge that continuation of the arrangements in their current form deserves a review and a better outcome for pensioners should be found. We recommend that the current arrangements should be replaced with a revised agreement in which the Government is only entitled to a share of surpluses if the Scheme falls into deficit, and the Government has to provide funds. In that event, the Government should be entitled to 50% of future surpluses up to the total value of the funds it has provided to make up any shortfall. The Government should also relinquish its entitlement to the Investment Reserve, and transfer the £1.2bn fund to miners, to provide an immediate cash uplift to former miners.

1 Introduction

1. The Mineworkers' Pension Scheme is the larger of two main pension schemes established for British Coal's workforce. In 1994 the Scheme was closed to further contributions and privatised. As part of the future arrangements agreed at that point, the Government became guarantor to the Scheme, and guaranteed that pension members would always receive the benefits they had earned up to privatisation, and that these benefits would increase in line with inflation.[1] In return, it was agreed that the Government would be entitled to a 50% share of any surpluses in the Scheme's value at future valuations. The other 50% would be distributed to members through bonuses.[2] Since 1994, the Scheme has performed strongly, which has meant the Government has received more money from the arrangements than was initially expected. The surplus sharing arrangements have therefore become the focal point of various campaigns to review the Scheme's rules.[3]

Our inquiry

2. On 23 December 2020, Stephanie Peacock MP wrote to the Chair of the Committee requesting that a formal inquiry into the Mineworkers' Pension Scheme be launched.[4] The letter was signed by 50 MPs representing former coalfield communities. We raised the issue with Rt Hon Kwasi Kwarteng MP, the Secretary of State for Business, Energy and Industrial Strategy in January 2021, and launched a short inquiry on 18 March 2021.[5]

3. On 23 March 2021, we took evidence from the Scheme's Trustees and the General Secretary of the National Union of Mineworkers.[6] On 13 April 2021 we questioned Rt Hon Anne-Marie Trevelyan MP, the responsible Minister in the Department for Business, Energy and Industry Strategy.[7] We have received over 100 written submissions, emails and letters. The Chair was also pleased to attend an informal public meeting with members of the Scheme.

4. We would like to thank all individuals who have contacted us with their concerns, and those who have provided oral and written evidence. We are grateful to the Members of Parliament from all parties who have supported our inquiry, or who provided us with evidence.

1 House of Commons Library, Mineworkers' Pension Scheme, 11 February 2021
2 House of Commons Library, Mineworkers' Pension Scheme, 11 February 2021
3 This is a topic which the Committee has examined on a number of occasions in previous Parliaments, and is a matter on which we often receive correspondence from members of the public. Most recent correspondence: Letter from Mineworkers' Pension Scheme to Rachel Reeves, 16 September 2019, Letter to Kwasi Kwarteng from Rachel Reeves, 1 October 2019, Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019, Letter to Prime Minister from Rachel Reeves, 27 February 2020.
4 Letter from MPs representing coalfield communities to the Chair, regarding the Mineworkers' Pension Scheme, dated 23 December 2020
5 Oral evidence: Net zero and UN climate summits, Qq185–257; The terms of reference for this inquiry are appended to this report.
6 Qq1–41
7 Qq42–55

2 Mineworkers' Pension Scheme

History of the Scheme

5. The Mineworkers' Pension Scheme ('MPS', and 'the Scheme') was first set up in 1952, as the larger of two main pension schemes established under British Coal - the other being the British Coal Staff Superannuation Scheme ('BCSSS').[8] As of September 2020, the MPS had 124,796 pensioner members, and 11,104 deferred members.[9] The Scheme is managed by a committee of ten Trustees ('the Trustees').

6. At the point of privatisation in 1994, the Scheme was closed to further contributions, and arrangements were put in place to address employee liabilities arising out of the former British Coal Corporation. As part of these arrangements, the Government provided the Scheme with a guarantee that pension members would always receive the benefits they had earned to that date and that, in future, those benefits would rise in line with inflation.[10]

7. In return for providing this guarantee, the Government initially proposed that any surplus in the Scheme's value at future valuations would be split between the Government and the Scheme's members "on an equitable basis".[11] The 'equitable' division of surpluses was later agreed by the Government and Trustees as a 50:50 split. The Government thus became entitled to 50% of any surpluses in the Scheme at future valuations. The remaining 50% is distributed to pensioners through bonus augmentations, which are paid in addition to guaranteed benefits.[12] Since this arrangement was agreed in 1994, the Government has received £3.1bn as its share of surpluses, and £1.3bn from the Investment Reserve.[13] The Government has not contributed financially to the Scheme since it became the guarantor in 1994.[14] The agreement did not include a mechanism to review the arrangements at any point in the future.[15]

8. Chris Cheetham, Chair of Trustees, explained that such an arrangement is now "highly unusual", if not "unique": "There is no current situation where sponsors take money out of the scheme that they are responsible for; indeed, they cannot. Regulations do not enable it".[16]

8 Mineworkers' Pension Scheme, Scheme History

9 Mineworkers' Pension Scheme, Report and Accounts 2020; Deferred members are those who have paid into the Scheme, and are no longer employed under the terms of that Scheme, but who are not yet in receipt of their pension.

10 Mineworkers' Pension Scheme, Scheme History; An agreement was also reached between the Government and Trustees in 2019, whereby bonus pensions build up to that date would also be guaranteed.

11 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021, Department of Trade and Industry, 'The Government's Proposals for British Coal Pensions after Privatisation', September 1993

12 These arrangements have been provided for in statute, see the Mineworkers' Pension Scheme (Modification) Regulations 1994 (SI 1994/2577) made under the Coal Industry Act 1994.

13 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021; Written Answer, 99079, 8 October 2020 incorrectly claimed the total amount to date was £3.4bn. This has since been corrected to clarify that the total amount to date was in fact £3.1bn.

14 Q15

15 This is contrary to the Minister's incorrect claim at Q43.

16 Q12; The Government noted that the nearest equivalent arrangements can be found in pensions of rail workers and British Telecom employees (Department for Business, Energy and Industrial Strategy (MPS0063)).

What preceded the 1994 arrangements?

9. Prior to privatisation, no standing formal arrangements were in place to decide how surpluses should be shared between employer and pension members.[17] Instead, the division of surpluses was decided on an ad hoc basis, with British Coal requesting a certain agreed amount of the surplus to cover an employer contributions holiday starting in 1989.[18]

10. At both the 1987 and 1990 valuations, the Scheme was in surplus.[19] On both occasions a 70:30 split (in favour of members) was agreed.[20] The 30% surplus taken by British Coal equated to the cost of its contributions holiday.[21] The 50:50 split of surpluses agreed in 1994 was also applied to the £813m surplus determined in the 1993 valuation.[22]

11. The 70:30 split agreed in 1987 and 1990 has subsequently prompted questions about why members' entitlement was reduced to a 50:50 split from the 1993 valuation onwards.[23] In response, the Government has highlighted that the 70:30 splits in 1987 and 1990 were agreed on the basis of the Scheme's performance at those specific valuation points, and therefore did not constitute "a fixed arrangement".[24]

How the 1994 agreement was reached

12. Allen Young, Pensioner Elected Trustee, and Chris Cheetham, Chair of Trustees, told us that the Trustees took actuarial and legal advice when arrangements were being agreed.[25] Mr Young and Mr Cheetham said that advice stressed that the Government's proposed guarantee was "essential", and clearly advised that the proposal should be accepted on that basis.[26] The Trustees reiterated in writing that, "given the importance attached to the Guarantee, and in the absence of any credible alternative, the Trustees had no reasonable option but to accept this offer".[27]

13. Mr Young and Mr Cheetham were critical of the nature of the discussions which took place in 1993–4, arguing that "there was no negotiation. Basically, the Trustees were given

17 National Union of Mineworkers (MPS0010), Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021, Department for Business, Energy and Industrial Strategy (MPS0063)
18 National Union of Mineworkers (MPS0010), Q3
19 Q1
20 Q1
21 Q3
22 Q3; This is contrary to the information provided by the Government (including in its written submission (Department for Business, Energy and Industrial Strategy (MPS0063))), which incorrectly states that the 1993 surplus was split 70:30. This has caused some confusion in the public understanding of the Scheme's arrangements. The Government Actuary's valuation report of 30 September 1993 provided some calculations to explain that, allowing for the continuation of British Coal's existing contribution holiday, £585m would be left of the total £813m surplus (i.e. 70%). However, whilst the Government Actuary provided these calculations, it had no power to decide how the surplus should actually be used. Ultimately, the decision on how to divide the 1993 surplus was rolled into the broader privatisation discussions taking place at the time. In the event, it was decided that the surplus distribution should not take account of British Coal's existing contribution holiday, and a 50:50 split was agreed instead. 50% of the surplus therefore funded members' benefit improvements. The other 50% funded British Coal's contribution holiday up until the point at which the Government's guarantee came into effect on 31 October 1994 (c.£22m), with the remainder (£470m) becoming the Scheme's Investment Reserve.
23 HC Deb 10 June 2019 c488
24 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019
25 Q2; From R Watson & Sons (now part of Willis Towers Watson)) and Lovell White Durrant (now part of Hogan Lovells) respectively.
26 Qq2–3
27 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021

an option of a guarantee with a 50:50 split, take it or leave it".[28] The Minister confirmed that the choice faced by the Trustees was a binary one "between the current arrangements [a 50:50 surplus sharing arrangement] and the scheme retaining all surpluses but no guarantee".[29] The Trustees explained that the Trustees at the time "were pushing for a 70:30 split", but they ultimately accepted the Government's proposal because they understood the importance of the guarantee, even though they "were never happy" with the "totally unfair" 50:50 split attached to it as a condition.[30] Mr Cheetham reiterated that the Trustees were ultimately "faced with no choice but to accept the 50:50 [split], whether or not they agreed with it and whether or not it was consistent with precedent".[31] Rt Hon Anne-Marie Trevelyan, Minister of State for Business, Energy and Clean Growth ('the Minister') told us that due to the passage of time it is difficult to respond with certainty to these points, but that she has "seen nothing that either confirms or contradicts this version of events, and I have no reason to doubt it".[32]

14. Mr Cheetham also argued that no analysis was conducted at the time by the Government to inform the specific division in the share of future surpluses:

> There was no science behind the decision made by the guarantor, which was then imposed on the Trustees, that it should be 50:50. The trustees were, essentially, faced with a fait accompli… but there was no analysis done to support that [50:50] split at the time.[33]

Moreover, the Trustees explained that they could find "no evidence of any attempt" by the Government to subsequently demonstrate that the 50:50 split was "equitable", as per the Government's original proposal.[34]

15. The Government has confirmed that, unlike the Trustees, it did not seek actuarial advice when the arrangements were agreed in 1994.[35] The Minister could not provide a reason as to why this was the case.[36] Neither could the Minister provide reassurance that the 50:50 split proposed by the Government in 1994 was underpinned by any empirical evidence.[37]

16. **The Scheme's Trustees had little choice but to accept the Government's proposal to divide future surpluses on a 50:50 basis, as a condition of securing the Government's guarantee during the negotiations in 1994.**

17. **The Government failed to conduct due diligence during the 1994 negotiations and undertook no empirical analysis or evaluation to inform or support the 50:50 split it proposed. The Government was negligent not to take actuarial advice.**

28 Q2
29 Q44
30 Q2, Qq5–6
31 Q11
32 Letter from the Minister for Business, Energy and Clean Growth following up on oral evidence on the Mineworkers' Pension Scheme, dated 19 April 2021
33 Q3
34 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021, emphasis added.
35 PQ128727 26 February 2018
36 Q45, Letter from the Minister for Business, Energy and Clean Growth following up on oral evidence on the Mineworkers' Pension Scheme, dated 19 April 2021
37 Qq44–45

18. **The 50:50 split was, and remains, arbitrary.**

Has the Government received more than expected?

19. As discussed above, the Government did not undertake any analysis of how much it could expect to receive from the surplus sharing arrangements, at the time the arrangements were agreed.[38] However, in 1996 the National Audit Office (NAO) produced a report on the sale of British Coal's mining operations, which was informed by consultants Binder Hamlyn.[39] Drawing on Binder Hamlyn's advice, the report highlights that the Government could expect to receive around £2bn over 25 years (including the repayment of both investment reserves) equal to £8bn in adjusted cash terms - through the surplus sharing arrangements of both MPS and BCSSS.[40] The BCSSS and MPS schemes were worth roughly equal amounts, meaning the Government could expect to receive approximately £1bn through the MPS arrangement alone.[41] This £1bn in 1994 terms equates to approximately £4bn in today's cash terms.[42] The NAO's report confirms that the Government Actuary's Department had concluded that Binder Hamlyn's estimates "do not appear unreasonable".[43]

20. To date, the Government has received £4.4bn in cash payments from the Scheme (comprised of £3.1bn as the Government's share of surpluses post-1994, and £1.3bn from the Investment Reserve).[44] The Government is also currently due to receive at least £1.9bn (comprised of the £1.2bn Investment Reserve, and £0.7bn of post-1994 surpluses which have not yet been paid).[45] This £1.9bn will be paid on top of 50% of any future surpluses. Thus, as of today, the Government is due to receive at least £6.3bn in total.[46] Chris Cheetham confirmed that the Government will have received at least £2.3bn (in today's adjusted cash terms) more than Binder Hamlyn's estimated in 1994.[47]

21. The Government has accepted that Binder Hamlyn's 1996 analysis underestimated the extent of future surpluses, commenting that "nobody predicted that the Scheme would produce returns as high as it has".[48] In that respect, the Government accepts that the 1994 agreement was "flawed".[49]

38 Q3

39 National Audit Office, Report by the Comptroller and Auditor General, Department of Trade and Industry: Sale of the Mining Operations of the British Coal Corporation, 3 May 1996, HC 360

40 National Audit Office, Report by the Comptroller and Auditor General, Department of Trade and Industry: Sale of the Mining Operations of the British Coal Corporation, 3 May 1996, HC 360

41 Q7

42 Q7

43 National Audit Office, Report by the Comptroller and Auditor General, Department of Trade and Industry: Sale of the Mining Operations of the British Coal Corporation, 3 May 1996, HC 360

44 Q7, Q13, Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021

45 Q7, Q13

46 Q7, Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021; Some of the evidence we received stated that Government will also receive a portion, or all, of whatever remains in the Scheme after the last member has died. However, the Scheme operates in such a way as to gradually diminish its assets as the membership reduces. It is therefore unlikely that any significant sums will be left in the Scheme when the last member dies.

47 Q8

48 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019, Department for Business, Energy and Industrial Strategy (MPS0063)

49 Department for Business, Energy and Industrial Strategy (MPS0063)

22. **To date, the Government has received £4.4bn from the Mineworkers' Pension Scheme. This is already more than the 1994 expectations of what the Government would receive. The Government is also due to receive at least another £1.9bn, on top of 50% off any future surpluses.**

23. **The Government has not paid any funds into the Scheme since the surplus sharing arrangement was put in place in 1994.**

3 Fairness of the current terms

24. The Scheme's current Trustees and the National Union of Mineworkers ('NUM') argue that the current 50:50 surplus sharing arrangement is unfair.[50] This sentiment was echoed in the written evidence and correspondence we received, which consistently criticised the 50:50 split as "grossly unfair", "immoral", and "a great discredit to all Governments since 1994".[51]

Views of pension members

25. The Trustees explained that the Government's guarantee elicits such strong emotions amongst the Scheme's members because the pensions received through MPS "are still very low by any standard".[52] The Government, NUM, and Trustees accept that the historic pension arrangements under British Coal, and short pre-1994 service of many pension members, has contributed to the relatively low level of the guaranteed pension.[53] A report into the Scheme commissioned by the NUM found that:

> The principle reason why MPS benefits are relatively small is that the Scheme only provided what might be regarded as an acceptable level of benefits for what was a relatively short period, compared to the typical length of members' working lifetimes in the coal industry. Prior to 1975 the Scheme only provided flat-rate benefits, that would now be regarded as inadequate … . As a result, large numbers of members with a lifetime of work in the industry have ended up with inadequate pensions, even when taken with the basic State pension.[54]

Chris Cheetham, Chair of Trustees, added:

> The median [pension] is only £65 a week, so 50% of members have a pension of less than £65 a week, 25% less than £35 a week, and 10% less than £18 a week. When you think about those numbers, it explains why there is so much frustration and anger over the huge sums of money the Government have taken out of the scheme.[55]

The frustration referenced by the Trustees is shared unanimously by all the former miners and pension members who wrote to us. Mr Anthony Marrin, a retired coal face worker, told us:

> [I] find myself having to make cutbacks on my spending to support myself and my wife, who is in ill health. I find it hard to understand how the government can justify maintaining the current 50:50 share agreement when it has already had over £4 billion and not contributed a penny towards the scheme. In the meantime thousands of former miners have died not

50 Q5, Qq13–14, Q25, 27
51 Mr Paul Arnold (Electrical engineer at british coal) (MPS0037), Keith Howe (Approved electrician at NCB (British Coal) External Services Department) (MPS0011), Mrs Margaret Morgan (MPS0029)
52 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
53 Department for Business, Energy and Industrial Strategy (MPS0063)
54 National Union of Mineworkers, Mineworkers' Pensions: The MPS Guarantee and the case a review, unpublished
55 Q26

> having enjoyed their pensions, also leaving less miners in the scheme… Given the amount of money the government have creamed off our pension pot do they need to get a share of any surplus?[56]

26. Many of those who wrote to us highlighted that retired miners tend to live in some of the most deprived areas of the UK, and can often struggle to make ends meet.[57] They suggested that the low-level of benefit paid by the Scheme, combined with rising household costs and food bills, has pushed some members into ‘pension poverty’.[58]

27. Former miners are disproportionately affected by chronic health issues directly caused by poor industrial conditions.[59] Mr Paul Arnold, a retired miner, explained that the work in his previous occupation at the Shirebrook Colliery often involved “hard manual labour in difficult, wet, dusty, noisy, hot and cold conditions. At 58, I am now starting to see the health issues caused by working in the mines”.[60]

28. The National Mineworkers’ Pension Campaign added that the industrial diseases and chronic health problems caused by their former occupation, has contributed to many former miners being classed as clinically vulnerable during the COVID-19 pandemic.[61] In some cases, this has had corresponding financial implications.[62] Pension members also highlighted the sad reality that former miners with industrial diseases will be significantly more likely to contract or die from COVID-19.[63] Mr Allen Salter, a retired miner who worked in Barnsley collieries, told us that this makes it more important than ever that a more equitable agreement is reached: “I believe that a lot of former Mineworkers have succumbed to the virus ravishing the Country, suffering from breathing difficulties, which makes it even more important that our voice is heard before it is too late”.[64]

29. The number of pension members is decreasing by approximately 7,000 members per year.[65] A consistent theme in the evidence from pension members is that ‘time is running out’, and that if current Scheme members are to benefit from a new and more equitable arrangement, it must be agreed quickly.[66] Keith Howe, a former British Coal employee from Barnsley, said:

> As things currently stand the beneficiary ‘pool’ dwindles whilst the fund increases. An agreement must be reached before there are no beneficiaries left… Any decision will indeed be too late for thousands of mineworkers who have already left this Earth as a direct result of industrial disease and poor working conditions that workers/employers from today would be ashamed of.[67]

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56 Mr Anthony Marrin (MPS0014)
57 Mr Gareth John Hughes (Retired at ex miners fighting for releasing miners funds from the NUM); Mr Emlyn Davies (Retired at ex miners fighting for releasing miners funds from the NUM) (MPS0030)
58 Selected emails received by the BEIS Committee regarding the Mineworkers’ Pension Scheme
59 Keith Howe (Approved electrician at NCB (British Coal) External Services Department) (MPS0011), Selected emails received by the BEIS Committee regarding the Mineworkers’ Pension Scheme
60 Mr Paul Arnold (Electrical engineer at british coal) (MPS0037)
61 Mrs Margaret Morgan (MPS0029)
62 Mrs Margaret Morgan (MPS0029)
63 Selected emails received by the BEIS Committee regarding the Mineworkers’ Pension Scheme, Mr Nick Smith (Member of Parliament for Blaenau Gwent at UK Parliament) (MPS0052)
64 Mr Allen Salter (Retired at Retired Member National Union of Mineworkers) (MPS0040)
65 Mr Neil Dallman (Machine Operative at Toray Textiles) (MPS0035), Q39
66 Mr Anthony Marrin (MPS0014), Mr Steve Wells (MPS0051)
67 Keith Howe (Approved electrician at NCB (British Coal) External Services Department) (MPS0011)

30. Some also argued that continuation of the surplus sharing arrangement in its current form appears inconsistent with the Government's 'levelling up' agenda, and that changing the existing arrangements in members' favour would help redress the economic damage caused by pit closures in the 1980s and 1990s.[68] For example, Grahame Morris MP told us:

> 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.[69]

When this proposal was put to the Minister, she was unable to provide a compelling or considered response.[70]

31. **Many former mineworkers have chronic health issues directly related to their former occupation, and the former coalfields are amongst the most deprived areas of the UK. Sadly, their numbers are also decreasing year by year. Over half of Scheme members receive less than the average pension. Given the success of the Scheme, and the vast sums which have been paid to the Government, it is unconscionable that many of the Scheme's beneficiaries are struggling to make ends meet.**

The Government's approach

32. Since 1994, successive governments have maintained that the terms of the guarantee serve pensioners well. The current Government told us the arrangements "work well and are fair to all parties", for the reasons outlined below.[71]

Higher investment returns for members

33. The Government claims that the guarantee has ultimately resulted in higher returns for pensioners.[72] It stated:

> The guarantee enables [the Trustees] to invest so as to target higher returns which would be too risky to do without the guarantee. This has meant higher bonuses for scheme members and greater income for the Government.[73]

This point is also acknowledged by the Trustees, who agree that it has benefitted both parties, and has enabled them to adopt a high returns (and therefore, more risky) investment strategy which has resulted in the typical member's pension being "around 33% higher in

68 Union of Democratic Mineworkers Nottingham Section (MPS0038), Letter from Grahame Morris MP to the Chair, regarding the Mineworkers' Pension Scheme, dated 31 March 2021, Letter from Lee Anderson MP to the Chair, regarding the Mineworkers' Pension Scheme, dated 9 April 2021

69 Letter from Grahame Morris MP to the Chair, regarding the Mineworkers' Pension Scheme, dated 31 March 2021

70 Q49

71 Department for Business, Energy and Industrial Strategy (MPS0063)

72 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019

73 Department for Business, Energy and Industrial Strategy (MPS0063)

real terms than it would have been had they received only their actual earned pension up to privatisation".[74] The Government frequently reference this 33% figure when offering a view on the Scheme.[75]

34. The Trustees, NUM, and the vast majority of those who wrote to us agree that the Government's guarantee is vital to safeguarding members' pensions.[76] The Trustees were clear that they "would not want to see the Guarantee weakened in any way".[77] However, they also noted that, whilst the guarantee has certainly benefited members, it is not possible to say whether members would ultimately have better off without the Government's guarantee, because it is impossible to know how the Scheme would have been managed in the absence of a sponsor.[78] This point was also made in written evidence by pension members.[79]

35. Some also took issue with the Government's championing of the 33% higher returns, and argued that this must still be considered within the context of low basic pension values. Trevor Jones, a Scheme member, argued "an additional 33% for pensioners is in some cases 33% of a very small amount".[80]

Risk to Government

36. The Government maintains that its responsibility as the Scheme's guarantor constitutes "a significant contingent liability", because in the event of a deficit it "would have to find the money to ensure pensions continue to be paid".[81] The Government argues that it is therefore "reasonable" and only "fair to taxpayers" that this liability is reflected in the surplus sharing arrangements.[82] Historically the Government has also claimed that the "risk in the investment strategy has not been reduced", and that this "increases the value of the guarantee".[83] The Department noted that changes made to the Scheme in 2019 relating to the protection of members' accrued bonuses has increased the Government's overall liability.[84] The Minister argued that the current surplus sharing arrangement is therefore "proportionate".[85]

37. However, the degree of risk Government faces in practice has been repeatedly questioned. The Trustees acknowledged that, whilst the Government is exposed to "some" risk, "even in the event of future deficits [it] is very unlikely to be required to provide immediate deficit funding".[86] Indeed, the Scheme was in deficit at the 2002, 2008 and 2011

74 Mineworkers' Pension Scheme, Scheme History, Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
75 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019; Written Answer, 99079, 8 October 2020, Department for Business, Energy and Industrial Strategy (MPS0063)
76 Q27, National Union of Mineworkers, Mineworkers' Pensions: The MPS Guarantee and the case a review, unpublished
77 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
78 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
79 Selected emails received by the BEIS Committee regarding the Mineworkers' Pension Scheme
80 Mineworkers Pension Scheme Review Trevor Jones (MPS0066)
81 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019, Q47
82 Department for Business, Energy and Industrial Strategy (MPS0063), Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019
83 Letter from Kwasi Kwarteng to Rachel Reeves, 14 October 2019
84 Department for Business, Energy and Industrial Strategy (MPS0063)
85 Q47
86 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021

valuations, yet the Government was not required to pay into the Scheme.[87] This is due to the structure of the Scheme's rules, which protect the Government from having to provide funds in the event of 'short-term' deficits.[88]

38. The Scheme has continued to deliver robust financial results in both 2008, and 2020, despite the downturn in global markets caused by the Financial Crisis and the COVID-19 pandemic.[89] In the calendar year 2020 the Scheme delivered a return of 6.2%.[90] Allen Young argued that given this, and the fact that the Government was not been required to provide funds during previous instances of deficits, there is no reason to expect that the Government will have to provide funds in the near future, let alone funds large enough to offset their gains from the Scheme so far:

> It is very unlikely that, considering that they are on target to have £6.2 billion, they would ever be out of pocket. It would have to be drastic returns and probably a tail-end event. It would mean that we would completely run out of money in, say, 10 years' time.[91]

The Wales Mineworkers' Pension Campaign argued that, given that the COVID-19 pandemic "has not yet moved the taxpayer to offer help… in all probability the Scheme may never need bailing out".[92] Grahame Morris MP made a similar point:

> 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 [would] seem to be few eventualities that would impact the Scheme to the point of requiring the intervention of the guarantor.[93]

39. Dan Whincup, Head of Pension Strategy, Coal Pension Trustees Ltd added that, although the Government does have a contingent liability, it is a "long-term one", and that "the chances of them needing to put in over £6.3 billion are likely to be low".[94] Mr Paul Arnold, a retired miner at the Shirebrook Colliery, made a similar point:

> Thirty years of investment has shown that any risk to a guarantor of the MPS is minimal. The government have not paid one penny into the scheme and are highly unlikely to be called on to do so. The first port of call in the current agreement if a shortfall ever materialised is to reduce the bonus part of the miners' pension, if this is not sufficient the pension surplus is used. This arrangement further removes any risk to the government of having to make any contribution into the scheme. The markets have demonstrated

87 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
88 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021, Department for Business, Energy and Industrial Strategy (MPS0063)
89 Qq31–32
90 Q32
91 Q23
92 Mr Gareth Hughes (Retired at Welsh Miners a Facebook group that offers an ear to all those miners who are unable to speak up due to having lost their collective voice when they were made redundant from their coal related jobs (disenfranchised)); Mr Emlyn Davies (Retired at Welsh Miners) (MPS0017)
93 Letter from Grahame Morris MP to the Chair, regarding the Mineworkers' Pension Scheme, dated 31 March 2021
94 Q23; This view was also shared in much of the written evidence and correspondence we have received: Mr David Martin (MPS0028), Mr Paul Arnold (Electrical engineer at british coal) (MPS0037).

> that this is extremely unlikely. The question to be asked is, what is the true value of a guarantee that is extremely low risk and extremely unlikely to be used.[95]

40. Moreover, as the number of Scheme members and value of the fund naturally decreases, so too does the risk to the Government.[96] When asked if the Government accepts this point, the Minister did not provide a response.[97] The Minister did, however, confirm that the Government expects the Scheme's returns to "consistently exceed the relevant rate of inflation".[98] The Minister also said that, although the Government is unable to quantify the likelihood of it having to supply funds due to a deficit, it nonetheless "remains a real risk".[99]

41. Those who proposed revising the surplus split in members' favour argued this would better reflect Government's contribution to the Scheme to date.[100] Mr Paul Arnold asked "what is the true value of a guarantee that is extremely low risk and extremely unlikely to be used".[101]

42. The Trustees concluded that "careful consideration" should be given to how significant the Government's risk is, and whether it is "proportionate" to the total funds it has received (and is due to receive) from the Scheme.[102]

Perceptions of fairness at the time

43. The Government argued that the 50:50 split is still appropriate because "at the time, all parties believed the equal sharing to be a fair settlement".[103] Binder Hamlyn's advice to the NAO concluded that the Department had "determined the… arrangements responsibly and secured good benefits for pensioners".[104]

44. However, Chris Kitchen, General Secretary, NUM, disagreed with the NAO's conclusion, and argued that the Scheme has been "much better" for the Government, than pensioners: "given that the members are the ones who put the money in with the employers, British Coal, which is no longer in existence, it should be the members who benefit from it".[105] Mr Kitchen also highlighted that, whilst the NAO concluded in 1996 that the Government had "obtained good value for money" for itself through the surplus sharing arrangements, the report does not offer a view on whether the agreement represents good value for money for the Scheme's members.[106]

95 Mr Paul Arnold (Electrical engineer at british coal) (MPS0037)
96 Q41, Mr John Tierney (MPS0067)
97 Q52
98 Letter from the Minister for Business, Energy and Clean Growth following up on oral evidence on the Mineworkers' Pension Scheme, dated 19 April 2021
99 Letter from the Minister for Business, Energy and Clean Growth following up on oral evidence on the Mineworkers' Pension Scheme, dated 19 April 2021
100 Mr Paul Hardman (MPS0022), Mr David Martin (MPS0028), Mr Paul Arnold (Electrical engineer at british coal) (MPS0037)
101 Mr Paul Arnold (Electrical engineer at british coal) (MPS0037)
102 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
103 HC Deb 5 December 2017 c317WH
104 National Audit Office, Report by the Comptroller and Auditor General, Department of Trade and Industry: Sale of the Mining Operations of the British Coal Corporation, 3 May 1996, HC 360
105 Q22
106 National Union of Mineworkers (MPS0010)

Gains to the public purse

45. The Government argued that, "that the public purse has benefited from this should be regarded as a success as should the higher than anticipated bonus pensions".[107] However, much of the evidence we received implied that strong returns for HM Treasury is indicative of misguided priorities on the Government's part.[108] Nigel Favill, a retired British Coal fitter at the Bevercotes Colliery, described the current arrangement as "against the spirit of being a guarantor".[109] Similarly, Anthony Chiverton told us that the Scheme's "main purpose" should be "to generate a sound investment policy to benefit the *members*", and that "the time has come for the Government to stand aside. £6.3 billion is enough. Members have paid their dues in full and should now be the sole beneficiaries".[110]

46. **We recognise that the Government's guarantee is important, has contributed to the success of the Scheme, and has benefitted Scheme members. However, we are not convinced by the Government's argument that its entitlement to 50% of surpluses is proportionate to the relatively low degree of risk it actually faces in practice. The number of Scheme members and the relative size of the fund has fallen significantly since 1994. Yet, the Government's 'price' for the guarantee has not been adjusted to reflect that fact. With no formal period review mechanism built into the agreement, pension members remain tied to an expensive arrangement.**

47. **Given that the Scheme has continued to produce strong returns despite the 2008 Financial Crisis and the COVID-19 pandemic, there is little reason to believe the Government will be required to pay into the Scheme before it is wound-up. Even if, in extremis, the Government is required to financially contribute at some point in the future, realistically its contribution will not come close to the (at least) £6.3bn it is currently due to receive in total.**

48. **Whether or not the Government knew in 1994 that it would disproportionately benefit from the arrangement, and whether all parties thought it was fair at the time, is irrelevant. It is patently clear today that the arrangements have unduly benefited the Government, and it is untenable for the Government to continue to argue that the arrangements remain fair.**

49. **Governments should not be in the business of profiting from mineworkers' pensions. We are therefore disappointed by the Government's argument that the 1994 agreement is a success because the public purse has had strong returns from it. The Government is not a corporate entity driven by profit-motives, and should not view miners' pensions as an opportunity to derive income. We also note that allowing the arrangement to continue would appear antithetical to the Government's stated aim of redressing socio-economic inequality and 'levelling up' left-behind communities.**

107 Department for Business, Energy and Industrial Strategy (MPS0063)
108 Department for Business, Energy and Industrial Strategy (MPS0063)
109 Selected emails received by the BEIS Committee regarding the Mineworkers' Pension Scheme
110 Mr Anthony Charles Chiverton (coal miner,1981/2007. supervisor national probation service 2008, C.R.C 2021 at NCB, RJB, BRITISH COAL. NATIONAL PROBATION SERVICE,2008/2018/CRC COMPANY/2016/20) (MPS0056), emphasis added

4 Changing the terms of the 1994 agreement

50. The Minister claimed that the Trustees are "happy" and "content" with the current arrangements which they consider to be "reasonable".[111] However, the Trustees have been consistently clear that this is not the case, and that they would support any changes, or combination of changes, to the rules which benefit members.[112] As discussed earlier, the Trustees accepted the Government's proposal because they understood the importance of the guarantee, even though they "were never happy" with the "totally unfair" 50:50 split attached to it as a condition.[113]

51. The terms of the 1994 arrangement can only be changed with the agreement of both parties.[114] Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy told us that the terms of the arrangement are "review[ed] all the time".[115] Rt Hon Anne-Marie Trevelyan MP, Minister of State for Business, Energy and Clean Growth told us that her "door is always open" for dialogue with the Trustees, and that she would be "very happy" to look at any proposed changes.[116] The Trustees have formally asked the Government to review the Scheme on a number of occasions, and continue to raise the issue informally on an "ongoing" basis.[117] However, the Government "has made it repeatedly clear… that it does not regard the 1994 arrangements as unfair and that it has no intention of agreeing to changes that are not in its interests".[118]

52. Moreover, the Minister's claim that her "door is always open" to discuss any changes appears to be undermined by the Government's written evidence, which clearly states that any changes cannot be justified.[119] It is notable that the Minister characterised any future discussions as primarily being about a binary decision between continuing with the current arrangement, or removing the guarantee altogether, which both the Trustees and the Government acknowledge is not in the Scheme members' best interests.[120]

53. **The Government is disingenuous in claiming the Trustees are content with the terms of the current arrangements. The Trustees have been clear that they are not - and never were - happy with the terms, and that they would welcome any changes in members' favours. The Government should not mistake the Trustees' acceptance of the deal for contentment.**

54. **We are disappointed by the Government's dismissive approach to proposals to review the existing arrangement. The Minister's claim of openness is contrary to the approach successive governments have taken since 1994. *The Government must approach any future discussions with the Trustees with a genuinely open mind, and with the best interests of the pension members in mind.***

111 Q43, Q48, Q45
112 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
113 Q2, Qq5–6
114 Mineworkers' Pension Scheme, Scheme History
115 Oral evidence: Net zero and UN climate summits, Q245
116 Q48, Q52
117 Q26, Mineworkers' Pension Scheme, Surplus sharing, Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
118 Mineworkers' Pension Scheme, Surplus sharing
119 Q55, Department for Business, Energy and Industrial Strategy (MPS0063)
120 Qq54–55

Changing the surplus split

55. Throughout our inquiry a range of changes to the Scheme have been proposed. These have focused on changing the division of surpluses and distributing the Investment Reserve to members.

56. The NUM has argued that a 90:10, or even 70:30, split would be more appropriate.[121] The Nottingham Section of the Union of Democratic Mineworkers suggested that reverting back to the 70:30 split would be "one way to reverse the impression of disproportionate Treasury take".[122]

57. Similar proposals were suggested not long after the initial agreement was reached. After strong returns at the 1996 and 1999 valuations, the Trustee's actuarial advisors produced some empirical analysis which suggested a fairer division of surpluses would be 85:15 (in members' favour) rather than 50:50.[123] However, Mr Cheetham reiterated that the calculations underpinning these proposals are not completely clear.[124]

58. ***With the benefit of hindsight, it is clear that the Government has already profited greatly from the Scheme. The Government must acknowledge that continuation of the arrangements in their current form deserves a review and a better outcome for pensions should be found. The current arrangements should be replaced with a revised agreement in which the Government is only entitled to a share of surpluses if the Scheme falls into deficit, and the Government has to provide funds. In that event, the Government should be entitled to 50% of future surpluses up to the total value of the funds it has provided to make up any shortfall. Such an arrangement takes account of the vast funds the Government has received thus far and the significant reduction in the risk it faces, and would ensure that neither party will be out of pocket in future.***

Distributing the Investment Reserve

59. The Trustees noted that, even if the 50:50 surplus sharing arrangement was revised in members' favour - which they continue to support - this would not benefit members until 2024 at the earliest.[125] Approximately 21,000 Scheme members will have died by then, and will thus not have experienced any benefit from a change in surpluses agreed today. Moreover, the impact of any future change of surpluses is inherently uncertain. As Chris Cheetham explained:

> Clearly, the trustees would be delighted to see any increase in the share of surplus going to members[… but] a change in the surplus share, although very favourable, would lead to an uncertain impact, because we would not know how much members would benefit by until we got to the valuation in 2023 and then in 2026, and so on.[126]

121 National Union of Mineworkers, Mineworkers' Pensions: The MPS Guarantee and the case a review, unpublished, National Union of Mineworkers (MPS0010)
122 Union of Democratic Mineworkers Nottingham Section (MPS0038)
123 Q10, Watson Wyatt, Mineworkers' Pension Scheme, Summary of the results of an asset liability modelling study, December 2002
124 Q10
125 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
126 Q37

Mr Cheetham argued that distribution of the remaining Investment Reserve fund therefore has the most potential to immediately benefit members:

> An even better outcome for members would be to transfer some money across from, for example, the investment reserve, because that would have an immediate impact on pensions and would be a certain impact.[127]

The Trustees summarised their position regarding changes to the surplus split and Investment Reserve, as follows:

> Any change that led to an immediate increase in benefits would be very welcome and might also be viewed by those members, in part, as a compensation for historic grievances over this issue. A change in the surplus share itself, while less immediate and certain in its impact, might contribute to a greater sense of fairness on the part of members going forwards.[128]

60. There is currently £1.2bn in the Investment Reserve fund.[129] This fund is due to be transferred to the Government by 2029. If this £1.2bn fund was to be distributed to members, this would roughly equate to a £14 per week uplift for members on the average pension of £84 per week.[130] If the £0.7bn in the Guarantor's Fund, was also distributed along with the Investment Reserve fund, the average pension would increase by £22 per week.[131] The NUM supported the Trustees' proposal to distribute the Investment Reserve to members:

> Given the actual results since privatisation it does not seem unreasonable and indeed fair for the Government to release the [Investment Reserve fund] to the Trustees to immediately increase pensions and renegotiate a fairer split of future surpluses going forward to reflect the reduced risk of guaranteeing the scheme.[132]

61. The Government maintains that distributing the Investment Reserve "can[not] be justified", and that doing so "would remove the buffer in the Scheme and increase the risk of needing to find new money in the event of a deficit".[133] The Government also argued that the money contained within the Investment Reserve "was originally British Coal's money, not that of Scheme members".[134] However, this assertion was challenged by those who gave evidence to us. Many argued that they paid their "dues" into Scheme during their working lives on the "promise" that doing so would provide security and a decent retirement for them and their families.[135] Moreover, as the Trustees explained: "there is no [comparable pension scheme] where sponsors take money out of the scheme that they are

127 Q37
128 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
129 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
130 Q28, National Union of Mineworkers (MPS0010)
131 Letter from the Chair of Trustees, to the Chair, regarding the Mineworkers' Pension Scheme, dated 8 April 2021
132 National Union of Mineworkers (MPS0010); This proposal was also supported in much of the written evidence and correspondence we received from pension members: see George Hogan (Member at Mineworkers' Pension Scheme) (MPS0042).
133 Department for Business, Energy and Industrial Strategy (MPS0063)
134 Department for Business, Energy and Industrial Strategy (MPS0063)
135 Mr Darren Phillips (MPS0062)

responsible for; indeed, they cannot. Regulations do not enable it".[136] Changes to pensions legislation since the Scheme was privatised now place restrictions on the refunding of surpluses or assets to employers.[137]

62. Therefore, who the fund technically or notionally 'belongs' to as a consequence of the privatisation process will be immaterial to many we heard from. The fund is ultimately composed of and derived from the deferred wages paid into the Scheme by current retirees, on the understanding that they would be the ones to benefit in retirement. Many pension members will thus consider the Government to have a moral obligation to ensure the best possible outcome for beneficiaries, and that it is therefore "failing" in its "duty of financial care" as guarantor by continuing to withdraw funds from the Scheme.[138] As one pension member put it: "the people who paid in are the ones who should benefit, it really is as easy as that".[139]

63. **Whilst we have called for the 50:50 split to be replaced with a more appropriate arrangement moving forward, we believe pensioners should also receive a more immediate uplift.** ***We recommend that the Government hands the £1.2bn it is due to receive from the Investment Reserve back to miners, and sets out its proposals for how and when this will be administered in response to this report.***

136 Q12
137 Pensions Act 1995 (s. 37 (2) and (3)) as amended by Pensions Act 2004 (s. 250 and 251).
138 Mr Nick Smith (Member of Parliament for Blaenau Gwent at UK Parliament) (MPS0052)
139 Keith Howe (Approved electrician at NCB (British Coal) External Services Department) (MPS0011)

5 Conclusion

64. **The Government's guarantee has undoubtedly benefitted the Scheme's members by providing vital security that the value of pensions will not decrease. However, the price of this guarantee is no longer fair.**

65. **The beneficiaries of the Mineworkers' Pension Scheme toiled in dreadful conditions, to keep the country's lights on. Many now live with industrial diseases caused by the dangerous nature of their former occupation. The least they should expect in return is the secure retirement they were promised decades ago. Yet, successive governments have failed to deliver this.**

66. **The Government must now accept its moral obligation to the Scheme members, and acknowledge that continuation of the surplus sharing arrangements in their current form robs beneficiaries of the financial security they have rightfully earned.**

67. **Our recommendations set out equitable arrangements which would go some way to redressing the sense of historic injustice felt by the Scheme's members. The Government must consider them carefully.**

Conclusions and recommendations

Mineworkers' Pension Scheme

1. The Scheme's Trustees had little choice but to accept the Government's proposal to divide future surpluses on a 50:50 basis, as a condition of securing the Government's guarantee during the negotiations in 1994. (Paragraph 16)

2. The Government failed to conduct due diligence during the 1994 negotiations and undertook no empirical analysis or evaluation to inform or support the 50:50 split it proposed. The Government was negligent not to take actuarial advice. (Paragraph 17)

3. The 50:50 split was, and remains, arbitrary. (Paragraph 18)

4. To date, the Government has received £4.4bn from the Mineworkers' Pension Scheme. This is already more than the 1994 expectations of what the Government would receive. The Government is also due to receive at least another £1.9bn, on top of 50% off any future surpluses. (Paragraph 22)

5. The Government has not paid any funds into the Scheme since the surplus sharing arrangement was put in place in 1994. (Paragraph 23)

Fairness of the current terms

6. Many former mineworkers have chronic health issues directly related to their former occupation, and the former coalfields are amongst the most deprived areas of the UK. Sadly, their numbers are also decreasing year by year. Over half of Scheme members receive less than the average pension. Given the success of the Scheme, and the vast sums which have been paid to the Government, it is unconscionable that many of the Scheme's beneficiaries are struggling to make ends meet. (Paragraph 31)

7. We recognise that the Government's guarantee is important, has contributed to the success of the Scheme, and has benefitted Scheme members. However, we are not convinced by the Government's argument that its entitlement to 50% of surpluses is proportionate to the relatively low degree of risk it actually faces in practice. The number of Scheme members and the relative size of the fund has fallen significantly since 1994. Yet, the Government's 'price' for the guarantee has not been adjusted to reflect that fact. With no formal period review mechanism built into the agreement, pension members remain tied to an expensive arrangement. (Paragraph 46)

8. Given that the Scheme has continued to produce strong returns despite the 2008 Financial Crisis and the COVID-19 pandemic, there is little reason to believe the Government will be required to pay into the Scheme before it is wound-up. Even if, in extremis, the Government is required to financially contribute at some point in the future, realistically its contribution will not come close to the (at least) £6.3bn it is currently due to receive in total. (Paragraph 47)

9. Whether or not the Government knew in 1994 that it would disproportionately benefit from the arrangement, and whether all parties thought it was fair at the time,

is irrelevant. It is patently clear today that the arrangements have unduly benefited the Government, and it is untenable for the Government to continue to argue that the arrangements remain fair. (Paragraph 48)

10. Governments should not be in the business of profiting from mineworkers' pensions. We are therefore disappointed by the Government's argument that the 1994 agreement is a success because the public purse has had strong returns from it. The Government is not a corporate entity driven by profit-motives, and should not view miners' pensions as an opportunity to derive income. We also note that allowing the arrangement to continue would appear antithetical to the Government's stated aim of redressing socio-economic inequality and 'levelling up' left-behind communities. (Paragraph 49)

Changing the terms of the 1994 agreement

11. The Government is disingenuous in claiming the Trustees are content with the terms of the current arrangements. The Trustees have been clear that they are not - and never were - happy with the terms, and that they would welcome any changes in members' favours. The Government should not mistake the Trustees' acceptance of the deal for contentment. (Paragraph 53)

12. We are disappointed by the Government's dismissive approach to proposals to review the existing arrangement. The Minister's claim of openness is contrary to the approach successive governments have taken since 1994. *The Government must approach any future discussions with the Trustees with a genuinely open mind, and with the best interests of the pension members in mind.* (Paragraph 54)

13. *With the benefit of hindsight, it is clear that the Government has already profited greatly from the Scheme. The Government must acknowledge that continuation of the arrangements in their current form deserves a review and a better outcome for pensions should be found. The current arrangements should be replaced with a revised agreement in which the Government is only entitled to a share of surpluses if the Scheme falls into deficit, and the Government has to provide funds. In that event, the Government should be entitled to 50% of future surpluses up to the total value of the funds it has provided to make up any shortfall. Such an arrangement takes account of the vast funds the Government has received thus far and the significant reduction in the risk it faces, and would ensure that neither party will be out of pocket in future.* (Paragraph 58)

14. Whilst we have called for the 50:50 split to be replaced with a more appropriate arrangement moving forward, we believe pensioners should also receive a more immediate uplift. *We recommend that the Government hands the £1.2bn it is due to receive from the Investment Reserve back to miners, and sets out its proposals for how and when this will be administered in response to this report.* (Paragraph 63)

Conclusion

15. The Government's guarantee has undoubtedly benefitted the Scheme's members by providing vital security that the value of pensions will not decrease. However, the price of this guarantee is no longer fair. (Paragraph 64)

16. The beneficiaries of the Mineworkers' Pension Scheme toiled in dreadful conditions, to keep the country's lights on. Many now live with industrial diseases caused by the dangerous nature of their former occupation. The least they should expect in return is the secure retirement they were promised decades ago. Yet, successive governments have failed to deliver this. (Paragraph 65)

17. The Government must now accept its moral obligation to the Scheme members, and acknowledge that continuation of the surplus sharing arrangements in their current form robs beneficiaries of the financial security they have rightfully earned. (Paragraph 66)

18. Our recommendations set out equitable arrangements which would go some way to redressing the sense of historic injustice felt by the Scheme's members. The Government must consider them carefully. (Paragraph 67)

Formal minutes

Tuesday 27 April 2021

Virtual meeting

Members present:

Darren Jones, in the Chair

Alan Brown	Paul Howell
Richard Fuller	Charlotte Nichols
Ms Nusrat Ghani	Mark Pawsey

Draft Report (*Mineworkers' Pension Scheme)*, proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 67 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Thursday 13 May at 9:45am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 23 March 2021

Chris Kitchen, General Secretary, National Union of Mineworkers; **Chris Cheetham**, Chair of the Committee of Management, and Trustee, Mineworkers' Pension Scheme; **Allen Young**, Pensioner Elected Trustee, Mineworkers' Pension Scheme; **Dan Whincup**, Head of Pension Strategy, Coal Pension Trustees Ltd Q1–41

Tuesday 13 April 2021

Rt Hon Anne-Marie Trevelyan MP, Minister for Business, Energy and Clean Growth, Department for Business, Energy and Industrial Strategy Q42–55

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

MPS numbers are generated by the evidence processing system and so may not be complete.

1 Arnold, Mr Paul (Electrical engineer, British Coal) (MPS0037)

2 Austin, Mr Anthony (MPS0048)

3 Berry, Mr Kenneth (MPS0034)

4 Crampton, Mr Kevin (MPS0061)

5 Chiverton, Mr Anthony Charles (coal miner,1981/2007. Supervisor National Probation Service 2008, C.R.C 2021, NCB,RJB, British Coal. National Probation Service,2008/2018/CRC COMPANY/2016/20) (MPS0056)

6 Clark, Mr David (Retired shift charge engineer, British Coal) (MPS0060)

7 Dallman, Mr Neil (Machine Operative, Toray Textiles) (MPS0035)

8 Department for Business, Energy and Industrial Strategy (MPS0063)

9 Douglass, Mr David John (Ripper, tunneller , NCB Durham Area ; NCB Yorkshire Area; British Coal Corp: National Union of Mineworkers, Mining Communities Advice Centre) (MPS0032)

10 Edwards, Mr. Peter Trevor (MPS0018)

11 Enough, Enough is (Retired Notts Miner, UKMPSA for justice and fairplay) (MPS0007)

12 Griffin, Mr Peter (Miner, National Coal Board / British Coal) (MPS0046)

13 Hardman, Mr Paul (MPS0022)

14 Higgins, Mr Barrie (Retired Miner, Retired Miner) (MPS0047)

15 Hogan, George (Member, Mineworkers' Pension Scheme) (MPS0042)

16 Howe, Keith (Approved electrician, NCB (British Coal) External Services Department) (MPS0011)

17 Hughes, Mr Gareth John (Retired, ex miners fighting for releasing miners funds from the NUM); and Davies, Mr Emlyn (Retired, ex miners fighting for releasing miners funds from the NUM) (MPS0017), (MPS0030)

18 Jones, Mr Anthony (Company Secretary, Ammanford Miners Welfare Social Club Ltd.) (MPS0059)

19 Kitchen, Mr Chris (General Secretary National Union of Mineworkers, National Union of Mineworkers) (MPS0054)

20 Kitchen, Mr Ronald (MPS0053)

21 Lavery MP, Mr Ian (Member of Parliament, House of Commons) (MPS0039)

22 Lawrence, Mr Stephen (MPS0005)

23 Marshall, Mr Paul (MPS0021)

24 Marrin, Mr Anthony (MPS0014)

25 Martin, Mr David (MPS0028)

26 Morgan, Mrs Margaret (MPS0029)

27 National Union of Mineworkers (MPS0010)

28 Peacock, Mr Shaun (Retired, Private citizen) (MPS0009)

29 Peacock MP, Stephanie (Member of Parliament for Barnsley East, Member of Parliament for Barnsley East) (MPS0064)

30 Phillips, Mr Darren (MPS0062)

31 Piwowarczyk, Mr Edward (Pensioner, Ex miner) (MPS0016)

32 Review, Mineworkers Pension Scheme (MPS0066)

33 Salter, Mr Allen (Retired, Retired Member National Union of Mineworkers) (MPS0040)

34 Smith, Mr Nick (Member of Parliament for Blaenau Gwent, UK Parliament) (MPS0052)

35 Tierney, Mr John (MPS0067)

36 Trustees of the Ammanford & District Miners Welfare Association (MPS0049)

37 UK Miners Pension Scheme Association For Justice and Fair play (MPS0001), (MPS0002), (MPS0003), (MPS0023)

38 Union of Democratic Mineworkers Nottingham Section (MPS0038)

39 Wells, Mr Steve (MPS0051)

40 West Fife Area Retired Miners Branch (MPS0043)

41 Wilson, Lloyd (retired, None) (MPS0044)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2019–21

Number	Title	Reference
1st	My BEIS inquiry: proposals from the public	HC 612
2nd	The impact of Coronavirus on businesses and workers: interim pre-Budget report	HC 1264
3rd	Net Zero and UN Climate Summits: Scrutiny of Preparations for COP26 – interim report	HC 1265
4th	Pre-appointment hearing with the Government's preferred candidate for the Chair of the Regulatory Policy Committee	HC 1271
5th	Uyghur forced labour in Xinjiang and UK value chains	HC 1272
1st Special	Automation and the future of work: Government Response to the Committee's Twenty-third Report of Session 2017–19	HC 240
2nd Special	Future of the Post Office Network: Government Response to the Committee's First Report of Session 2019	HC 382
3rd Special	Safety of Electrical Goods in the UK: follow-up: Government Response to the Committee's second report of Session 2019	HC 494
4th Special	COP26: Principles and priorities—a POST survey of expert	HC 1000