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Research Briefing

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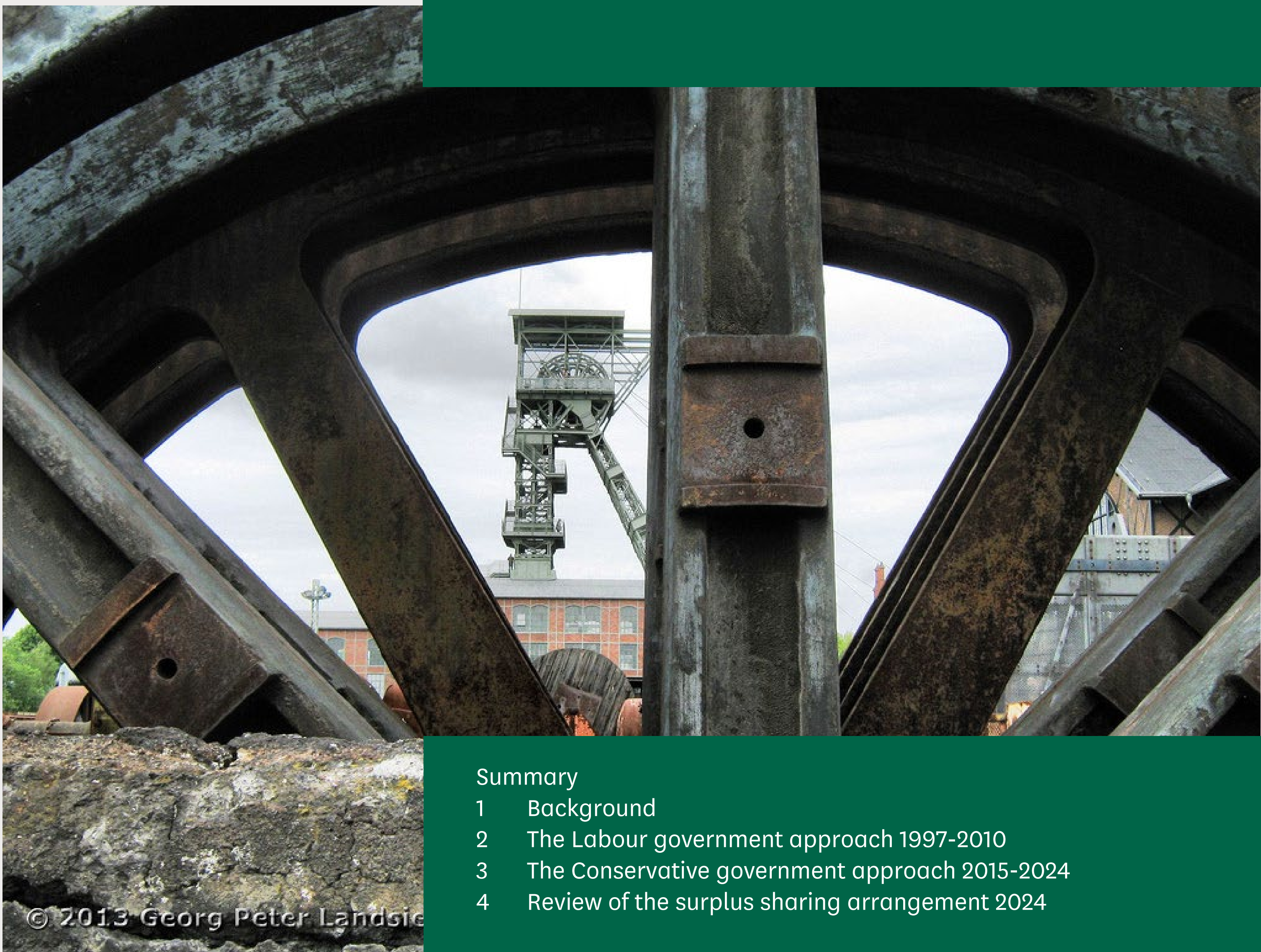
Mineworkers' Pension Scheme



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Summary

Privatisation in 1994

The government privatised British Coal in 1994. Before privatisation, British Coal had two main pension schemes:

- The Mineworkers' Pension Scheme (MPS)
- The British Coal Staff Superannuation Scheme (BCSSS)

British Coal funded both schemes through pension contributions. If the schemes had a deficit, meaning the assets were not enough to cover the promised pensions, British Coal covered the shortfall.

After privatisation, the government guaranteed the pension in both schemes. The main parts of the agreement were:

- the government replaced British Coal as guarantor
- the schemes closed to future contributions
- the government agreed to share any surplus equally with the schemes.

The surplus sharing arrangement

When the government privatised British Coal in 1994, both the MPS and BCSSS had surpluses, meaning they had more assets than they expected to need to pay the schemes' pensions.

The government and the schemes agreed to use half the surpluses immediately to improve members' pensions. They placed the other half in investment reserves, which would gradually transfer to the government if the scheme did not use them.

The government and the schemes agreed to share any future surpluses equally.

The government agreed to end BCSSS' surplus sharing arrangement in 2015. However, it continues to guarantee the scheme's pension benefits.

Autumn Budget 2024

In the Autumn Budget 2024, the government announced it would review the MPS surplus sharing arrangements and transfer the remaining investment reserve to the scheme's trustees. The trustees are responsible for ensuring the scheme is run properly and in the members' interests.

The government said that transferring the investment fund to the trustees would "mean a 32% boost to the annual pensions of 112,000 former mineworkers – an average increase of £29 per week for each member."

BCSSS trustees sought similar improvements, highlighting the similarities between the schemes. On 29 January 2025, the Minister for Industry confirmed that the government met with the BCSSS trustees to consider their proposals.

Payments to the government

Between October 1994 and July 2024, the government received £4.8 billion from the MPS and £3.1 billion from the BCSSS. The government is due a further payment of £1.9 billion from the BCSSS in 2033.

The government has made no direct payments to the MPS.

Payments to scheme members

Pensions

In 2019, the average weekly pension from the MPS was £84. This consisted of:

- £65 guaranteed pension
- £19 bonus pension paid from surpluses.

One-off lump sums

Between 2002 and 2005, the scheme made one-off lump sum payments to members with the lowest pensions.

Bonus pensions

Under the original guarantee, bonus pensions could increase or decrease depending on the scheme's funding. In November 2019, the government agreed to guarantee bonus pensions built up to that date.

1 Background

1.1 British Coal

The government privatised British Coal in 1994. The previously nationalised company was responsible for UK coal mining.[1]

Before privatisation British Coal had two main pension schemes:

- The Mineworkers' Pension Scheme (MPS)
- The British Coal Staff Superannuation Scheme (BCSSS)

Both schemes are defined benefit schemes, meaning they pay a promised pension in retirement. Before privatisation, British Coal guaranteed the promised pension. Upon privatisations both schemes made agreements with the government. The government guaranteed the promised pensions were paid in return for a share of future surpluses.[2] Section 1.4 below covers the surplus sharing arrangement.

The MPS is the larger of the two schemes, with 199,244 members in 2023 compared to 40,927 in the BCSSS in 2023/24.[3] The vast majority of members in both schemes are pensioners receiving their pensions. 3.6% (7,187) of MPS members are deferred members yet to receive their pension. The BCSSS has a similar proportion of deferred members, 3.0%.

Both schemes closed to further benefit accrual in 1994, meaning no new members can join, and existing members cannot increase their pensions through additional contributions.

This briefing focuses primarily on the MPS and includes related information about the BCSSS.

1 Coal Industry Act 1994

2 HC Deb 27 April 1994 cc167-169w

3 Mineworkers' Pension Scheme, Report and Accounts 2023, 26 March 2024; British Coal Staff Superannuation Scheme, Report & Accounts 2023/24, 29 August 2024

1.2 Scheme until 1994

The MPS opened in 1952.[4] The scheme's pensions remained relatively small until changes to the scheme in April 1975.[5]

During the late 1980s and early 1990s, the MPS reported better than expected investment performance. It used the resulting surpluses to increase benefits to the scheme members and reduce the employer's pension contributions.[6]

The BCSSS opened in 1947 as the National Coal Board Principal Superannuation Scheme.[7] It became the BCSSS in 1986.[8]

1.3 Privatisation in 1994

The government privatised British Coal in 1994.[9] Before this, members and British Coal funded the MPS and BCSSS through pension contributions. If the schemes had a deficit (the assets were not enough to cover the promised pensions) British Coal had to cover the shortfall.

After privatisation, the government agreed to guarantee the pension in both schemes. The main parts of the agreement were:

- the government replaced British Coal as guarantor
- the schemes closed to future contributions
- the government agreed to share any surplus equally with the schemes.[10]

The agreement only covered pensions built up before privatisation. Afterwards, employees could join two new industry-wide pension schemes.[11] Those who moved from the MPS and BCSSS to the new schemes received "protected person status," meaning their benefits in the new schemes would be at least as good as those in the MPS and BCSSS.[12]

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4 Mineworkers' Pension Scheme, Scheme History [accessed 27 November 2024]
5 Mineworkers' Pension Scheme, Scheme History [captured 15 August 2024]
6 As above
7 British Coal Staff Superannuation Scheme, Scheme History [accessed 27 November 2024]
8 As above
9 Coal Industry Act 1994
10 HC Deb 27 April 1994 cc167-169w; and DEP1994-1828 (Coal Industry Bill: exchange of letters on British coal pensions after privatisation, DTI, 1994)
11 The Industry-Wide Mineworkers Pension Scheme and The Industry-Wide Coal Staff Superannuation Scheme
12 HC Deb 27 April 1994 cc167-169w. For information on protected person status, see Commons Library research briefing SN-06725, Pensions: the statutory override and 'protected persons', April 2014

1.4 Government guarantee and surplus sharing

Overview

When the government privatised British Coal in 1994, both the MPS and BCSSS held surpluses, meaning they held more assets than they expected to need.[13]

The government and the schemes agreed to use half the surpluses immediately to improve members' pensions. They allocated the other half to investment reserves. If the schemes did not need the investment reserves to cover shortfalls, the funds would gradually transfer to the government. The transfer would happen over 25 years or longer if the government decided. The scheme's actuary would decide how much the schemes could prudently transfer at valuations every three years.[14]

The government and the schemes shared any surpluses equally after 1994.[15]

The BCSSS' surplus sharing arrangement ended in 2015 (see section 1.6).[16]

In the Autumn Budget 2024, the government announced it would review the MPS' surplus sharing arrangements and transfer the remaining investment reserve to the scheme's trustees.[17] The trustees are responsible for ensuring the scheme is run properly and in the members' interests.

How was the surplus sharing arrangement agreed?

Actuarial reviews of the schemes are carried out by the Government Actuary every three years. The 1993 valuation of the MPS made recommendations for its future, assuming it remained open.[18] The valuation found that the scheme could reduce employer contributions and use £585 million of the £813 million surplus (70%) to improve members' pension benefits.[19]

The 1993 valuation also looked at the scheme's position if it closed, which it did in 1994. It found that the scheme had enough assets to "buy out" its liabilities (expected costs) with an insurance provider. In a buy-out, a scheme pays an insurance provider to guarantee all the scheme's pension benefits. However, the valuation noted that liabilities were so large that it would be very difficult for the commercial market to absorb all the liabilities.[20]

13 HC Deb 27 April 1994 cc167-169w
14 As above
15 As above; and DEP1994-1828 (Coal Industry Bill: exchange of letters on British coal pensions after privatisation, DTI, 1994)
16 PQ 51978 [on British Coal Staff Superannuation Scheme], 17 November 2016
17 HM Treasury, Autumn Budget 2024, 30 October 2024
18 Government Actuary, Mineworkers' Pension Scheme Actuarial Review as at 30 September 1993 (PDF), June 1994
19 As above (PDF)
20 As above (PDF)

The valuation did not propose a surplus sharing arrangement if the scheme closed. The trustees and government reached an agreement to introduce a surplus sharing arrangement after the valuation and a consultation process.[21]

The government did not seek actuarial advice to determine the surplus sharing split. [22] In contrast, the trustees obtained both independent actuarial and legal advice.[23]

In March 2021, the chair of trustees, Chris Cheetham, told the Business, Energy and Industrial Strategy (BEIS) Committee that this advice led the trustees "to the conclusion that the guarantee was essential." However, he added that "there was no science" behind the 50:50 surplus sharing arrangement, and the decision had essentially already been made for the trustees. He also explained that the scheme's actuary for the 1999 valuation suggested that a fair surplus sharing arrangement would allocate 80% to 85% of the surplus to members, instead of the 50:50 split.[24]

Surpluses after 1994

The MPS divides any surpluses arising after 1994 equally between members and the government. It currently allocates the 50% shared with members to its bonus augmentation fund. It can use the fund to improve benefits – usually as a bonus pension. The government did not guarantee the bonus pensions, but it did guarantee that total pensions – both guaranteed pensions and bonus pensions – would not fall in cash terms.[25]

The guarantee

The government guarantees the following in the MPS:

- Guaranteed pensions increase annually in line with the Retail Prices Index (RPI).[26] These pensions include those built up before restructuring in 1994, along with the improvements made immediately before the restructuring. This does not include bonus pensions awarded after 1994.

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21 Business, Energy and Industrial Strategy Committee, Letter from Kwasi Kwarteng to Rachel Reeves (PDF), 14 October 2019

22 PQ 128727 [on Mineworkers' Pension Scheme], 26 February 2018

23 Business, Energy and Industrial Strategy Committee, Letter from Mineworkers' Pension Scheme to Rachel Reeves (PDF), 19 September 2019

24 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, qq3-10

25 HC Deb 27 April 1994 cc167-169w

26 Mineworkers' Pension Scheme (Modification) Regulations 1994 (SI 1994/2577), Schedule, rule 26; Measures of inflation used for increasing pensions are covered in section 4 of the Commons Library briefing paper CBP 5656, Occupational pension increases

- The scheme can use 50% of any valuation surplus after 31 October 1994 to improve members' pension benefits, but it requires government approval as the guarantor. [27]

In return for the guarantee, the government receives half of any valuation surplus after 31 October 1994, paid over a ten-year period.

Funds in the MPS

The MPS is notionally split into four sub-funds:

- Guaranteed fund: pays the guaranteed pension benefits.
- Bonus augmentation fund: pays bonus pensions using members' 50% share of surpluses.
- Guarantor's fund: transfers the government's 50% share of surpluses.
- The investment reserve: holds the unused balance of British Coal's share of pre-1994 valuation surpluses.[28]

Payments between funds

The MPS makes payments between its sub-funds. The government can draw from the investment reserve if the scheme does not need it to maintain pension benefits. Initially, the plan was for the investment reserve to transfer to the government by 2019. However, in 2014, the date extended to 2029.[29]

The extension to 2029 reflected the value of maintaining an investment reserve to both members and the government as guarantor.[30]

Payments between funds in the event of a surplus

When a valuation surplus occurs:

- 50% of the surplus in the guaranteed fund moves to the bonus augmentation fund. This amount combines with any existing surplus in the bonus fund and can provide bonus pensions for members, subject to the government's approval.

- The remaining 50% moves to the guarantor's fund. The government withdraws this in 10 annual instalments.[31]

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27 Mineworkers' Pension Scheme, Report and Accounts 2007; Mineworkers Pensions Scheme, Report and Accounts 2014 (PDF); Mineworkers' Pension Scheme Report and Accounts 2017 (PDF)

28 Mineworkers' Pension Scheme, Report & Accounts 2023, 26 March 2024

29 Mineworkers Pensions Scheme, Report and Accounts 2014 (PDF)

30 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, q14

31 Mineworkers' Pension Scheme, Report & Accounts 2023, 26 March 2024

Payments between funds in the event of a deficit

If the guaranteed fund has a shortfall, the scheme addresses it in the following order:

- Transfer from the investment reserve to the guaranteed fund.
- Equal transfers from the guarantor's fund and bonus augmentation fund if the investment reserve is insufficient. The scheme actuary must certify the balance of both funds.
- Direct payments from the government to the scheme made in ten annual instalments.[32]

If the scheme uses the investment reserve, any future surplus in the guaranteed fund is first replenishes the reserve to its previous level.

The guarantee did not cover shortfalls in the bonus augmentation fund, meaning bonus pensions can reduce (see section 3.1 for changes to this). However, the guarantee ensures the total pension amount never decreases in cash terms. To achieve this the scheme gradually reduces bonus pensions by an amount equal to the annual index-linked increase in the guaranteed pension, until the bonuses reach zero. If the bonus augmentation fund cannot meet its liabilities, its assets and liabilities transfer to the guaranteed fund.

Other schemes and legislation

The government has a similar arrangement acting as guarantor for the Railways Pension Scheme (1994 Pensioners Section) and the British Rail Superannuation Fund. While these schemes include surplus sharing arrangements, they have not made payments to the government.[33]

The Coal Industry Act 1994 (Schedule 5) established the legislative framework for the MPS and the BCSSS. Key regulations include:

- The British Coal Staff Superannuation Scheme (Modification) Regulations 1994 (SI 1994/2576)

- The Mineworkers' Pension Scheme (Modification) Regulations 1994 (SI 1994/2577)

32 Mineworkers' Pension Scheme, Report & Accounts 2023, 26 March 2024

33 PQ 178494 [on Workplace Pensions], 17 October 2018; For more on the background see Commons Library research briefing, SN-03109 Railway Pensions Scheme

1.5 Impact of the guarantee

National Audit Office report May 1996

In May 1996, the National Audit Office (NAO) published a report on the sale of British Coal Corporation's mining operations.[34] The report noted that the pension guarantee provided significant reassurance to pensioners.[35]

The NAO's advisers, Binder Hamlyn, praised the government for its approach, stating that it:

- Comprehensively investigated options for the future of coal industry pensions.
- Consulted extensively with interested parties.
- Responsibly determined pension arrangements, securing strong benefits for pensioners.
- Ensured good value for money by negotiating the government share of future surpluses.[36]

Payments to the government

In 1996, the NAO estimated that the government would receive £2 billion from the MPS and BCSSS over 25 years in 1994 prices to guarantee assets worth approximately £12.5 billion.[37]

Between October 1994 and July 2024, the government received £4.8 billion from the MPS and £3.1 billion from the BCSSS.[38] The government is due a further payment of £1.9 billion from the BCSSS in 2033.[39]

The government has made no direct payments to the MPS, though the scheme received payments from the investment reserve (see section 2.2 for details).[40]

In March 2021, Chris Cheetham, chair of the MPS trustees, told the BEIS Committee that the government was on course to receive £6.3 billion from the MPS. This was higher than the £4 billion estimated by the NAO in 1996.[41]

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34 National Audit Office, DTI: sale of the mining operations of the British Coal Corporation, HC 360 1995-96, 3 May 1996

35 As above

36 As above

37 As above; In cash terms it estimated the government would receive £8 billion.

38 PQ 828 [on British Coal Staff Superannuation Scheme and Mineworkers' Pension Scheme], 29 July 2024

39 British Coal Staff Superannuation Scheme, Report & Accounts 2023/2024

40 PQ 102148 [on Mineworkers' Pension Scheme], 15 October 2020

41 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, q7

Another trustee, Dan Whincup, said that amount could increase further "if there are good investment returns in the future".[42]

Payments to scheme members

Pensions

In 2018, the government and the MPS said that the guarantee allowed for an investment approach which increased a typical member's pension by around 33% in real terms.[43]

In 2019, the average weekly pension from the MPS was £84. This consisted of:

- £65 guaranteed pension
- £19 bonus pension.[44]

However, many members received smaller pensions. This was particularly the case for those with pensions earned before 1975 when the scheme's pensions were smaller.[45]

One-off lump sums

Between 2002 and 2005, the scheme made one-off lump sum payments to members with the lowest pensions (see section 2.1 below).

Bonus pensions

Based on the 2017 valuation, the MPS trustees announced bonuses, equal to 4.2% of guaranteed pensions, in each of the following six years to 2023. Bonuses beyond that would depend on the outcome of future valuations.[46]

Under the original guarantee:

- Guaranteed pensions increase by inflation each year and cannot decrease.
- Bonus pensions can go up or down depending on the scheme's funding.
- The total cash amount of a pension – guaranteed pension plus bonus pension – cannot fall.[47]

42 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, q13
43 PQ 190420 [Mineworkers' Pension Scheme], 15 November 2018
44 Mineworkers' Pension Scheme, Changes to the MPS that provide additional protection to members' pensions, 12 October 2020
45 Mineworkers' Pension Scheme, A letter from the chairman of the MPS Trustees to scheme members, 15 July 2019
46 Mineworkers' Pension Scheme, Result of the 2017 valuation, 12 July 2018
47 Mineworkers' Pension Scheme, A letter from the chairman of the MPS Trustees to scheme members, 15 July 2019

In November 2019, the government agreed to guarantee bonus pensions built up to that date.[48]

1.6 The British Coal Staff Superannuation Scheme (BCSSS)

The BCSSS' surplus sharing arrangement ended in 2015.[49] Between 1995 and 2015, the government received £3.1bn from the scheme.[50] It is due a further payment of £1.87 billion in 2033.[51] This payment will include inflation, but exclude any surplus built up after 31 March 2015.[52]

Background to the end of the surplus sharing arrangement

The government agreed to end the BCSSS' surplus sharing arrangements in 2015 due to the 2009 and 2012 valuations showing substantial deficits. However, it continues to guarantee the scheme's pension benefits.[53]

The BCSSS said without a new agreement a "long period with no increases to total pensions" was likely.[54] The new agreement meant pensions could increase. From 1 January 2020, bonus payments will neither increase nor reduce.[55]

Unlike in the BCSSS valuations in 2009 and 2012, the MPS had a surplus in its most recent 2023 valuation.[56]

Response to changes in the MPS 2024

At the Autumn Budget 2024, the government announced that the MPS investment reserve would transfer to the scheme's trustees.[57] It also committed to reviewing the surplus sharing arrangements.[58]

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48 PQ120263 [on Mineworkers' Pension Scheme], 23 December 2020; Business, Energy and Industrial Strategy Committee, Letter from Rachel Reeves to Kwasi Kwarteng (PDF), 21 April 2020
49 PQ 51978 [on British Coal Staff Superannuation Scheme], 17 November 2016
50 PQ 51978 [on British Coal Staff Superannuation Scheme], 17 November 2016
51 British Coal Staff Superannuation Scheme, Report & Accounts 2023/2024
52 As above
53 British Coal Staff Superannuation Scheme, Report and Accounts 2014/15 (PDF)
54 British Coal Staff Superannuation Scheme, Pensions news, February 2015
55 British Coal Staff Superannuation Scheme, Report and Accounts 2019/2020 (PDF)
56 Mineworkers' Pension Scheme, Report and Accounts 2013
57 HM Treasury, Autumn Budget 2024, 30 October 2024
58 Department for Energy Security and Net Zero, Government ends miners' pension injustice, 31 October 2024

Highlighting the similarities between the schemes, BCSSS trustees sought similar improvements.[59] In response to a Parliamentary Question on 13 November 2024, the Minister for Industry confirmed that the government was considering their proposals.[60]

On 16 January 2025, the BCSSS trustees outline that they believed equal treatment with the MPS would mean:

- Transferring BCSSS' £2.3 billion investment reserve to members.
- The government committing to review how any future surplus is shared.[61]

The minister confirmed on 29 January 2025 that the government will work with the BCSSS trustees to consider their proposals once the new MPS arrangements have been agreed.[62]

59 British Coal Staff Superannuation Scheme, We've asked the Government to transfer the BCSSS investment reserve to members, 22 November 2024

60 PQ 12767 [British Coal Staff Superannuation Scheme], 13 November 2024

61 British Coal Staff Superannuation Scheme, How you can help BCSSS Trustees advocate equal treatment for members, 16 January 2025

62 PQ 25410 [British Coal Staff Superannuation Scheme], 29 January 2025

2 The Labour government approach 1997-2010

2.1 Coalfields Community Campaign

The Coalfields Communities Campaign (CCC) is a national campaign advocating for communities affected by changes to the coal mining industry. In 1999, it published a report calling for a review of the surplus sharing arrangement.[63]

The report highlighted the low level of pensions due to the MPS not being earnings-related until 1975. According to the CCC's 1999 report, the average scheme pension at the time was £38 per week.[64] It argued that the schemes should keep more of the surplus to help the poorest pensioners.[65]

The CCC called for the government to increase investment in coalfield communities. The MPS and BCSSS make payments to the government's consolidated fund, the same account which receives most taxation and other money paid to the Exchequer. The government referred to the surpluses when allocating funds to coalfield communities. For example, in December 1998, it said that £10 million of £350 million it allocated to coalfield communities recognised surpluses received from the MPS.[66]

Initial response

The government made an initial response to the CCC's campaign in December 1999. The then Department of Trade and Industry Minister Helen Liddell said that since 1994:

- The government had paid almost £400 million to "cover pre-privatisation deficiencies".
- The government received £519 million from post-1994 surpluses.

63 Coalfields Community Campaign, It's the miner's money! Miners' pension fund surpluses and the Treasury's windfall, 1999

64 As above

65 As above

66 Department of the Environment, Transport and the Regions, Multi-million pound package for the coalfield communities, 1 December 1998

- The scheme used the remaining surplus to increase mining pensions by 20% over and above inflation.[67]

The Minister said the guarantee arrangements were the "envy of all other mature pension schemes".[68] However, she was willing to consider creative suggestions for building on the 50:50 surplus sharing arrangement.[69]

The Minister noted that it would require primary legislation to divert surpluses towards new jobs and infrastructure in coalfield communities.[70] In June 2000, the Minister said the government had "no statutory powers to divert pension surpluses for regeneration."[71]

The MPS' September 1999 valuation showed a surplus of £1,050 million. The scheme trustees and government agreed that most of the members' share of the surplus would provide a 9% increase to both pensions in payment and deferred pensions.[72]

Sacked miners

On 11 December 2001, the then Energy Minister, Brian Wilson, announced enhanced pension rights for some of the miners dismissed and not re-instated during the 1984/85 miners' strike. The residual assets of British Coal would meet the cost.[73]

Out of around 1,000 miners sacked in connection with the strike, 335 were not subsequently re-employed. They became eligible for a 5-year enhancement to their pensions, provided it did not cause their service to exceed the maximum allowed in the scheme rules.[74]

Review of the arrangements

In January 2002, the government announced changes following a review of the MPS in response to the CCC.[75]

One-off lump sum payments

The government allocated £90 million from its share of the scheme's investment reserves to make lump sum payments to 66,000 members with the lowest pensions.[76] The payments covered members with pensions below £20 per week and at least five years of service. Many of these left British Coal

67 Department of Trade and Industry, Statement by Helen Liddell on coal miners pension funds, 8 December 1999
68 As above
69 As above
70 As above
71 HC Deb 5 June 2000 c 108W
72 Department of Trade and Industry, Liddell welcomes boost for miners' pensions, 8 August 2000
73 HC Deb 11 December 2001, cc 759-760W
74 HC Deb 10 March 2003, c 12W
75 HC Deb 17 Jan 2002 c417W
76 HC Deb 17 Jan 2002 c417W

before or shortly after 1975, when the scheme became earnings-related. Between 2002 and 2005, eligible members received one-off payments of around £2,000.[77]

Chris Kitchen, General Secretary of the National Union of Mineworkers, said recipients could be financially worse off. He said lump sums reduced their entitlement to means-tested benefits:

> They were asking if there was any way they could refuse the payment or give it back, because people on those low incomes were on pension credits, council tax rebates and things, and some of them were worse off after receiving that benefit than they had been, because the Government saved money by not paying the pension credits.[78]

Review of the guarantee arrangements

The government also committed to reviewing the guarantee arrangements established during privatisation.[79]

Progress towards reviewing the guarantee

In December 2002, the government acknowledged that the decline in global stock markets could negatively affect the MPS and other schemes. It assured members that discussions on the guarantee arrangements would continue.[80]

However, in March 2003, the government confirmed there would be no changes to the surplus sharing arrangement. It cited the challenges of significant falls in the global stock markets.[81]

The CCC argued that the government's 50% share of surpluses was disproportionately high. The CCC's David Parry cited an asset and liability study suggesting a more appropriate split would be 15% to the government and 85% to the scheme.[82] In June 2003, the then Energy Minister, Brian Wilson, dismissed the proposal describing such a split as "off the radar screen in current circumstances".[83]

In a Westminster Hall debate on 10 June 2003, the Labour MP Anne Picking criticised the surplus sharing arrangement as a "legalised but grossly immoral raid on the funds".[84] The Minister responded that the guarantee worked effectively for scheme members and the "arrangements have yielded bonus increases on guaranteed benefits totalling about 30 per cent."[85]

77 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, qq18-19
78 As above (PDF), q19
79 HC Deb 17 Jan 2002 c417W
80 Department of Trade and Investment, British Coal Pension Schemes, 10 December 2002
81 HC Deb 7 March 2003, cc 1278-9W
82 "Pit stop for miners?", Guardian, 22 March 2003
83 HC Deb 10 June 2003, c 186WH
84 HC Deb 10 June 2003, c 171WH
85 HC Deb 10 June 2003, c 187WH

2.2 Further questions about the guarantee

Valuations 2002-2006

Valuations in 2002 and 2003 found both schemes to be in deficit, triggering the guarantee. £350 million transferred from the MPS' investment reserves and £220 million from the BCSSS' investment reserve to ensure the schemes could pay members' guaranteed pension benefits.[86]

By 2006, valuations indicated both schemes had returned to surplus. Under the guarantee, the surplus first restored the investment reserves. Scheme members and the government shared the remaining surpluses equally.[87]

Calls for revision

In 2007, both schemes' trustees argued to extend the investment reserve's repayment period beyond the original 25 years.[88] However, the government said it would not change the guarantee arrangements.[89]

In 2009, the Treasury Select Committee highlighted controversy over the schemes' valuation methodology. Some argued that other methods would show scheme deficits rather than surpluses. The committee recommended that the Government Actuary issue a statement addressing any potential risk to taxpayers.[90]

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86 Mineworkers' Pension Scheme, Report and Accounts 2007; British Coal Staff Superannuation Scheme, Report and Accounts 2006/07; HL Deb 6 November 2003, c WA 146; Department for Business, Enterprise and Regulatory Reform, The Former British Coal Pension Schemes, captured 5 September 2007

87 British Coal Staff Superannuation Scheme, Pensions News - Summer 2007

88 British Coal Staff Superannuation Scheme, pensions news, Winter 2006/07; Mineworkers' Pension Scheme, Pensions Newsline, Spring 2007

89 HC Deb, 22 Feb 2008, c1032W; See also HC Deb, 8 March 2007, c2138W

90 Treasury Select Committee, Administration and expenditure of the Chancellor's departments 2007-08, January 2009

3 The Conservative government approach 2015-2024

The Conservative Government argued that the surplus sharing arrangements worked well. It said the guarantee gave trustees the freedom to invest in a way that generated surpluses and therefore bonuses for scheme members.

In October 2019, the then Energy Minister Kwasi Kwarteng outlined the benefits of the arrangement in a letter to the then Chair of the BEIS Committee, Rachel Reeves:

- The scheme will always pay members' guaranteed pensions, including inflation increases.
- Member's total pensions, including bonus pensions, will not fall in cash terms.
- The government would meet the scheme costs of a deficit, which was a significant liability to the taxpayer.
- The NAO's 1996 estimates underestimated future surpluses, resulting in higher-than-expected returns to the government and higher-than-expected bonuses for members.[91]

During the 2019 general election campaign, the then Prime Minister Boris Johnson reportedly "made a 'categorical' pledge that miners will soon receive their fair share of the Mineworkers' Pension Scheme."[92]

In April 2020, Kwasi Kwarteng responded to further inquiries from Rachel Reeves, reiterating the government's stance that the arrangements benefitted both members and the government. He added that the guarantee protected members' benefits from external market disruptions, including the economic impact of the Covid-19 pandemic.[93]

91 Business, Energy and Industrial Strategy Committee, Letter from Kwasi Kwarteng to Rachel Reeves (PDF), 14 October 2019; See also PQ 164474 [Mineworkers' Pension Scheme], 25 July 2018; See also PQ 47614 [Mineworkers' Pension Scheme] 21 October 2016; See also PQ11555 [Mining: Pensions], 16 October 2015

92 "Miners' pension promise in Labour manifesto", The Yorkshire Post, 21 November 2019

93 Business, Energy and Industrial Strategy Committee, Letter from Rachel Reeves to Kwasi Kwarteng (PDF), 21 April 2020

3.1 Agreement to protect bonuses in 2019

In 2019, the MPS trustees and the government agreed to protect the bonus pensions already built up.[94] Before the agreement, members could lose all or part of their bonus pension if the scheme was in deficit. Following the agreement, bonus pensions in payment in 2023 can no longer reduce. The average bonus pension at the time was £19 a week.[95]

The changes did not affect the surplus sharing agreement otherwise. Any future surpluses could result in additional bonus pensions for members.[96]

3.2 BEIS Committee report

On 23 December 2020, a group of MPs representing coalfield communities wrote to Darren Jones, the then chair of the BEIS Select Committee, urging an inquiry into the MPS.[97] They highlighted that the average pension for former miners was £84 a week and that the government had received over £4 billion from the scheme since 1994 but not made any direct contributions. They argued that the investment reserve could provide a significant uplift in pensions, offering better financial security for retired miners.[98]

In evidence to the committee on 23 March 2021, the trustees said they would be "delighted to see any increase in the share of surplus going to members" but that a transfer of the investment reserve to increase pensions would be an even better outcome.[99]

In evidence to the committee, the then Minister for Business, Energy and Clean Growth, Anne-Marie Trevelyan, said she understood the trustees would still choose a 50:50 surplus sharing arrangement in order to have the guarantee.[100] Furthermore, she argued that the guarantee had supported a successful investment policy.[101] She said the investment reserve was a

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94 PQ260581 [Mineworkers' Pension Scheme], 11 June 2019; PQ 1709 [Mineworkers' Pension Scheme], 15 January 2020

95 As above

96 Mineworkers' Pension Scheme, Changes to the MPS that provide additional protection for members' benefits, October 2020

97 Business, Energy and Industrial Strategy Committee, Letter to Darren Jones MP (PDF), 23 December 2020

98 As above (PDF)

99 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme (PDF), 23 March 2021, HC 1331 2019–21, q37

100 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme, 13 April 2021, HC 1331 2019–21, q44

101 As above, q45

"backstop proposition that ensures that the cash is there, should there be a need, in order to support members."[102]

In its April 2021 report, the BEIS Committee described the 50:50 surplus share as "arbitrary," as the government had undertaken "no empirical analysis or evaluation to inform or support the 50:50 split it proposed" at privatisation. It did not think the level of risk the government faced as guarantor justified the split.[103]

The committee recommended reviewing the surplus-sharing arrangements and suggested transferring the investment reserve to the trustees to provide an immediate uplift in benefits.[104] It rejected the government's concerns about the risks of reducing the reserve and disputed the government's claim that the reserve was not scheme members' money, highlighting that evidence presented to the committee contested this view.[105]

Government response to the BEIS Committee report

In its July 2021 response to the BEIS Committee report, the government said the trustees preferred retaining the guarantee to keeping all surpluses without it. The government argued there were "numerous examples of pension schemes that have been unable to meet their basic obligations, let alone increase pensions to the extent the MPS has under the current arrangements."

The government continued to believe the 1994 agreement "was fair and beneficial to both scheme members and taxpayers." The arrangements had been "a success and benefitted all parties." The government was "happy to consider ways to improve benefits, though this has to be weighed against the risks to taxpayers."[106]

The then Chair of the BEIS Committee, Darren Jones, said it represented a "slap in the face" for scheme members that the government was continuing its "take it or leave it" approach on arrangements around the guarantee.[107]

The MPS trustees said they were "disappointed that the Government has rejected the Committee's recommendations which would have improved members' benefits."[108]

102 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme, 13 April 2021, HC 1331 2019–21, q55
103 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme, 29 April 2021, Conclusions and recommendations
104 As above
105 As above, paras 60-63
106 Business, Energy and Industrial Strategy Committee, Mineworkers' Pension Scheme: Government Response to the Committee's Sixth Report of Session 2019–21, Fourth Special Report of Session 2021–22, HC 386, 5 July 2021
107 As above
108 Mineworkers Pension Scheme, BEIS Committee report – response from the Government, 5 July 2021

The National Union of Mineworkers called for "a more balanced approach to the distribution of surplus funds, with the recommendation that its entitlement to the Investment Reserve of £1.2bn is also redirected to pension members."[109]

[109] National Union of Mineworkers, NUM demands a fair deal for mineworkers, 5 July 2021

4 Review of the surplus sharing arrangement 2024

At the Autumn Budget 2024, the Labour Government announced that it would transfer the MPS' investment reserve fund to the scheme's trustees.[110] It also committed to reviewing the existing surplus sharing arrangements. As part of its 2024 general election manifesto, the Labour Party had committed to "review the unfair surplus arrangements and transfer the Investment Reserve Fund back to members, so that the mineworkers who powered our country receive a fairer pension".[111]

The government said that transferring the investment fund to the scheme's trustees would "mean a 32% boost to the annual pensions of 112,000 former mineworkers – an average increase of £29 per week for each member."[112]

110 Department for Energy Security and Net Zero, Government ends miners' pension injustice, 31 October 2024

111 The Labour Party, Labour Party Manifesto 2024

112 Department for Energy Security and Net Zero, Government ends miners' pension injustice, 31 October 2024