

Restoration

Frequently-Asked Questions (1)

Eligible members will be sent a letter setting out full details of their restoration payment in June 2022.

Most eligible members do not need to take any action and payments will be made automatically into bank accounts in October 2022.

But for some members there are additional considerations which they need to take into account, and they must check if they need to take any action before the payment is automatically made. The June letter contains the relevant details and where to find out more.

Section 1: About the restoration payment

For answers to some of the other questions you may have, see the Restoration section of the website: www.bspensions.com > Library > Restoration

Over the coming weeks we will be adding to this list so do check back regularly to see if there have been updates.

1. Why have I received a restoration letter?

The letter means that you are due an additional payment from the Scheme. This payment is due to an agreement put in place with Tata Steel UK when the 'new' British Steel Pension Scheme was set up in 2018.

Your letter confirms how the additional payment will be paid to you.

Most eligible members do not need to take any action and payments will be made automatically into bank accounts in October 2022.

But for some members there are additional considerations which they need to take into account and they must check if they need to take any action before the payment is automatically made. The June letter contains the relevant details and where to find out more.

2. What is the restoration payment? Why is it being paid?

It's an additional one-off payment from the Scheme following an agreement that was put in place with Tata Steel UK when the 'new' British Steel Pension Scheme was set up in 2018.

The agreement stated that, should the Scheme's funding position be better than expected at the time of the Scheme's 2021 valuation, an additional one-time, lump-sum payment would be made to certain pensioner members.

Eligible members are those who were in receipt of a pension at the end of both March 2021 and March 2022, and some or all of their Scheme pension was earned before April 1997. Around 50,000 members qualify.

The Scheme does not provide inflationary increases on pensions built up before April 1997 above any Guaranteed Minimum Pension ('GMP') element. The restoration payment is therefore intended to provide some compensation for the lack of inflationary increases on the pre-April 1997 pension paid to eligible members since the Scheme was set up in 2018 up to and including 2021. The payment, if made as a lump sum, will be made for most members in October 2022*. For some members who, due to pensions tax reasons, will receive an increase to their annual pension instead of the lump sum, this is expected to start from 31 October 2022*.

* Whilst it cannot be later than January 2023, the timing of the payment is not guaranteed, and you should not make any financial commitments based on this payment.

Please note: the payment will only be made if you, or the dependant entitled to a pension following your death, is still alive at the qualifying date: 30 September 2022. If you were to die before the payment date, the lump sum will need to be reclaimed; the Pensions Office would be in touch with your representatives to provide details of the next steps.

3. How has my restoration payment been calculated?

The Actuary's March 2021 valuation established that the conditions for making the one-time restoration payment to eligible members were met and that £58 million is to be shared out.

The payment is your share of the £58 million taking into account pension increases that would have been paid to you between 2018 and 2021 (inclusive) had inflationary increases (based on CPI) been provided on your Scheme pension earned before April 1997. It is therefore intended to provide some

compensation for the lack of inflationary increases on any part of your pension earned before April 1997.

Broadly speaking, the larger the pension you have relating to service before April 1997, and the longer your pension has been paid between 2018 and 2021, the larger the payment you will receive. Eligible members will receive a minimum amount of £250 (before any income tax is deducted).

4. How is the restoration payment being paid?

Most members will receive the payment as a lump sum.

However, where members have specific pensions tax issues that mean they cannot receive the payment as a lump sum, or receiving a lump-sum payment may not be in their best financial interests for pension tax reasons, it can instead be paid as an increase to their annual pension.

5. Can I choose to have my restoration payment made as an increase to my pension?

Not unless the circumstances described in Q4 above apply.

6. When is it being paid?

The lump-sum payment is due to be paid on 5 October 2022.

If an additional pension is being paid instead, we expect it to apply from 31 October 2022.

7. Can the payment be made earlier?

No, October 2022 is the earliest date that payments can be made. This is because the administration, legal and payroll arrangements for making one-off payments to 50,000 members are significant and will take a number of months to complete.

8. Does the payment affect the value of my regular pension payment?

No, the one-off payment is being paid in addition to your regular pension payment.

(For members with specific pensions tax issues that mean they cannot receive the payment as a lump sum, or if receiving a lump-sum payment would not be in their best financial interests, the additional pension is expected to apply, on top of their regular pension, from 31 October 2022*. This new, additional part of pension will not increase for the remainder of your retirement or count towards any payment to dependants on death.)

* Whilst it cannot be later than January 2023, the timing of the payment is not guaranteed, and you should not make any financial commitments based on this payment.

9. Can the payment be made into a different bank account?

Restoration payments will be paid into the same account as your regular Scheme pension payments. You can update this at any time, but your regular pension payments would also then be paid into this bank account. If you would like to change your nominated bank account, please do so on the Member Portal on the Scheme website or complete and return a "Change of bank details form" which is available at www.bspspensions.com/library/forms

10. Can I nominate someone else to receive my restoration payment?

Generally, no. However, if a member is unable to manage their financial affairs due to incapacity the Trustee may consider an application for another individual to act on their behalf on Scheme matters. In these limited circumstances a member, or their representative, may complete and return a “Third Party form” available at www.bspensions.com/library/forms

11. Will there be another restoration payment in the future?

This restoration payment, linked to the results of the Scheme's 2021 valuation, is a one-off exercise. You may in the future be eligible to receive additional benefits if the Scheme reaches 103% funding on a 'buy-out' basis (see Spring 2022 New Brief newsletter for more details).

12. Where can I find additional support?

Firstly, please take the time to read through the restoration communications you received and look through the materials on the Scheme website. This documentation should address most members' questions.

If you have any specific questions which are not addressed elsewhere, please call the Restoration helpline on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) by 9 August 2022.