

News Brief

FOR MEMBERS OF THE BRITISH STEEL PENSION SCHEME (BSPS)



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Message from your Trustee Chairman



I would like to welcome you to this News Brief which includes a number of articles which I hope will be of interest to you.

The Trustee's priority will always be to ensure that benefits are paid in full and on time, not just today but until all benefit commitments have been met. This means that the Trustee needs to manage the risks facing the Scheme and do whatever it can to protect members. For this reason, the Trustee has been looking at what options might be possible, now or in the future, for securing benefits with one or more insurance companies. This review is progressing well and members will be kept informed of developments.

The Trustee has now received the Scheme Actuary's annual funding update as at 31 March 2019, the results of which are summarised in this News Brief. Since the first full triennial valuation as at 31 March 2018, the Scheme's funding position has improved by around 1%. This is only one measure of the Scheme's financial health and you will also find information inside on how this compares to other funding measures you might see quoted elsewhere.

At the time the Scheme was set up, members were made aware of three circumstances where additional monies

might be payable to them. I thought you might like an update on these items. Firstly, given the dilution in the Scheme's shareholding as the Company's finances have been strengthened, there looks to be no likelihood of proceeds being received from the Scheme's shareholding in Tata Steel UK Limited. Secondly, there could be a payment for some Scheme members following the 2021 actuarial valuation. Although the Scheme funding level is strong, and is ahead of expectations prior to *Time to Choose*, at the present time conditions have not been met which would trigger such a payment, though this could change before March 2021.

Finally, over time (as benefits are paid out and the Scheme matures), the BSPS funding level is expected to improve and ultimately reach 103% on the "buyout" basis. If and when that happens, the assets of the Scheme can be used to secure benefits with one or more insurance companies, and to increase benefits in accordance with the provisions agreed when the new BSPS was established. Achieving the necessary funding level to trigger this additional payment to members and secure their benefits is a priority for the Trustee.

Best Wishes

Keith Greenfield
Chairman of B.S. Pension Fund
Trustee Limited

Summary of 2019 Annual Report & Accounts

The Scheme provides benefits for former members of the Old British Steel Pension Scheme who elected to transfer into the Scheme from 28 March 2018 under the *Time to Choose* exercise. Here's a summary of the Scheme's Annual Report for its first full year of operation.

	For the year to 31 March 2019
Income	£'000
Return on Investments	524,871
Total	524,871
Expenditure	
Benefits paid	499,283
Transfers-out	647,029
Administration expenses	10,115
Levies	8,000
Total	1,164,427
Net (decrease)	(639,556)

Although last year the Scheme's expenditure greatly exceeded its income, this was due to the exceptional level of transfers out.

The Scheme paid 1,900 transfer values, over 1,800 of which were in respect of members who submitted valid transfer requests when in the Old Scheme.

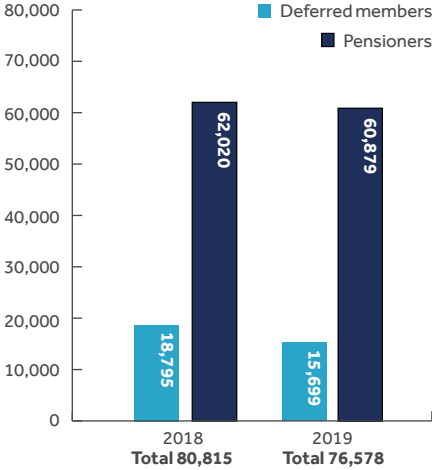
This should not concern members as although individuals transferring out reduce the Scheme's assets, they also reduces its liabilities.

Value of the Fund



The Scheme's 2019 Annual Report has been published. If you want to see the full version, please visit the Scheme website www.bspspensions.com

Membership at 31 March 2019



Number of members over age 100 - 83

Age of oldest Scheme member - 106

Age of youngest Scheme member - 22

	Under 50	50 - 54	55 - 59	60 - 64	65 - 69	70 & over
Pensioners	176	566	3,092	6,190	9,556	41,299
Deferred members	7,213	3,328	2,913	2,024	192	29



Increases for pensioner members

Under the Rules of the Scheme, some or all of a BSPS pension in payment may increase each year on 1 April.*

BSPS pensions in payment are increased by reference to the annual increase in the Consumer Prices Index (CPI) over the preceding September to September period, subject to a maximum capped level in each year. The relevant increase in CPI for the year to September 2019 was

1.7% and, where applicable, this increase will be applied to BSPS pensions in payment in April 2020.

Increases to pensions in payment are applied with reference to the elements in the table below:

Pension	2020 increases
Guaranteed Minimum Pension built up between 1978 and 1988	None
Guaranteed Minimum Pension built up between 1988 and 1997	1.7%
Excess pension over Guaranteed Minimum Pension built up to 1997	None
Pension built up between 1997 and 2005	1.7%
Pension built up after 2005	1.7%

Pensioners will receive a letter at the end of March 2020 detailing how the increase has been applied to their pension.

More detailed information, including applicable caps, can be found on the Scheme website www.bspspensions.com

*Continues to be 6 April for pensioners paid from the payroll of the former Corus Engineering Steels Pension Scheme.

Summary Funding Statement

The Trustee is required to carry out a full actuarial valuation at least every three years, with an annual funding update in those years in-between.

The first review of the Scheme's financial position was carried out as at 31 March 2018. The purpose of this statement is to provide you with a summary of the Scheme Actuary's report on developments affecting the Scheme's funding position since that initial valuation.

The Scheme's surplus improved slightly over the year to 31 March 2019. This provides a buffer against the risks facing the Scheme.

If you want to know more, you can contact the Pensions Office to request a copy of the Actuary's 2018 report.



How has the funding position changed?

	31 March 2019	31 March 2018
Assets	£10,581m	£11,221m
Liabilities	£9,862m	£10,553m
Surplus	£719m	£668m
Funding level	107.3%	106.3%

Note: for these purposes, the Actuary's assessment of the Scheme's funding position is calculated on what is known as the 'technical provisions' basis.

What happened over the year to 31 March 2019?

There were a number of factors contributing to this improvement in the funding position, mainly:

- Scheme assets outperformed liabilities, improving the funding position
- The Scheme is relatively mature and as it reduces in size, the funding level should increase
- A significant number of transfer values were paid. Whilst this did not have a material impact on the size of the surplus in £m terms, the reduction in both assets and liability values increased the % funding level.

What is an actuarial valuation?

The actuarial valuation provides a snapshot of the Scheme's funding position at a set date. It compares the value of the Scheme's assets (the money it has invested to pay benefits) with its liabilities (the value placed on the future benefit entitlements of Scheme members).

Formal valuations are required by law to see whether contributions are required from the employer. The Actuary's report shows that the Scheme's funding position remains healthy. Had this been a formal valuation, no contributions would have been required from the Scheme Sponsor (Tata Steel UK Limited).

How do we measure the funding position?

In a defined benefit scheme like the BSPS, each member is promised a pension and money is set aside to pay those pensions as and when they fall due. The Scheme's funding position is the difference between the estimated amount that the Scheme needs to have to pay pensions (the Scheme's liabilities) and the actual money the Scheme holds to pay those pensions as and when they fall due (the assets).

The values placed on assets and liabilities can change from time to time, meaning that the funding position may go up or down. A surplus doesn't necessarily mean the Scheme has more money than it needs. For example, the surplus can change as the actual returns from assets might be different from the assumptions made in the valuation, and members might live longer than expected.

There are different ways to calculate the funding position of a pension scheme. Each method seeks to value pensions already in payment (including benefits to survivors of deceased members) plus the pensions of members who have not yet retired. The appropriate actuarial valuation method depends on the reason for the valuation. The results may vary significantly between methods. The table on page 8 shows the two main types of valuation and the Scheme's funding position on each basis.

Although these methods produce significantly different valuation results, both are correct when used in the appropriate circumstances.



Summary Funding Statement continued

Type of valuation		Scheme funding position as at 31 March 2018
Buy-out	This is the most prudent measure and is an estimate of the cost of insuring all Scheme liabilities in full. This uses an estimate of the insurer's prudent assumptions and also includes a margin for insurers costs/profits and so is likely to result in the lowest funding position.	90.1%
Technical provisions / Ongoing	This is the method used by the Scheme Actuary for the triennial valuation and annual funding updates. This uses prudent assumptions and is intended to represent a cautious estimate of the amount required now to continue to pay benefits in the future. It is therefore likely to show a higher funding position than the buy-out estimate.	106.3%

What would happen if Tata Steel UK Limited were to become insolvent?

In the unlikely event Tata Steel UK Limited were to become insolvent, the Scheme is protected by the Pension Protection Fund (PPF). PPF compensation would not be the same as Scheme benefits. If the Scheme had enough assets, it would buy out benefits with an insurance company which would provide members with benefits which were greater than PPF compensation.

Further information about the PPF is available at www.ppf.co.uk or by calling its helpline on 0345 600 2541 (+44(0)20 8633 4902 for overseas members)

Other information

The law requires that we provide you with certain information.

We can confirm that there have not been any payments to Tata Steel UK Limited out of the Scheme other than to reimburse the Company for necessary costs and expenses it has incurred on behalf of the Trustee in the administration of the Scheme.

When is the next valuation?

The Trustee board will continue to monitor the financial position of the Scheme on a regular basis and the next three-yearly valuation is scheduled for 31 March 2021. Before that date a further annual funding update will be undertaken as at 31 March 2020.

Member survey results

Questionnaires were issued to over 3,000 members in May 2019 to gather a detailed view of how members rated the service provided, including the Scheme's communications.

Over 800 members (more than a quarter) replied, which is generally considered a good response rate for exercises of this type. Members could complete the questionnaires anonymously.

Most of the feedback provided by Scheme members was positive:

- ✓ 90% of respondents rated highly the Scheme's communications such as the News Brief, annual deferred benefit statements, annual pension increase letters.
- ✓ All pensioners and dependants who responded confirmed their pension was paid on time and without error.
- ✓ Of those members who had visited the Scheme website (www.bspspensions.com), 83% confirmed it provided the answers they were looking for. There were some suggestions for ways in which the website can become a more valuable resource and these are currently being considered.
- ✓ Contact with the Pensions Office staff was generally complimentary with high satisfaction ratings in relation to quality of service. A small number of poor service experiences were recorded, mainly referring to the difficulties in contacting the Pensions Office around the *Time to Choose* exercise.

Members with individual concerns who chose to provide their personal details received a call from the Pensions Office to discuss their experience.

'Thank you for your help at a sad time following my husband's death'

'The people I spoke to were very sympathetic and very helpful'

'Thank you for all you did and still do!'

Improvements being made to Scheme communications following this feedback include:

- Scheme website to provide early notice of the pension in payment increases to be applied from 1 April each year.
- Annual deferred benefit statements to show what, if any, proportion of a member's benefits were accrued before April 1997. (Annual increases that apply to pensions in payment are less generous than deferred pension increases, particularly for benefits built up before April 1997. The Scheme website www.bspspensions.com has further details.)

Thank you to everyone who participated.

Over 92% of members who responded indicated that the Scheme fully met their requirements

Scheme noticeboard

Who qualifies for a spouse's pension?

The Pensions Office is often asked who is eligible to receive a spouse's pension under the Scheme Rules.

- ✓ Married/legal spouse
- ✓ Civil partner
- ✗ Co-habiting couple/common-law partner

The Scheme will pay a pension to a surviving legal spouse, including a same-sex spouse, or to any civil partner. The Rules of the Scheme do not provide for a pension to be paid to a partner who was not married to the member at their time of death, no matter how long they may have lived together or to others who may be financially dependent on the member. The Trustee has no discretion on these matters.

How you can help the Scheme

The Chairman's message (see page 2) refers to how the Trustee is looking at options to improve the security of members' benefits. This may involve the Trustee writing to you and this article explains why.

Currently, the Scheme Actuary estimates how many Scheme members have spouses and what age these spouses might be. In order to help our understanding of what options might be available to make members' benefits more secure, it would be beneficial to have more accurate estimates based on members' actual current circumstances. The Scheme is considering how best to obtain this information. The most reliable way is to ask members to provide us with this information.

This information would only be requested to help the Trustee more accurately understand the Scheme's overall funding position. **Any information provided would not affect the benefits due to you from the Scheme (or any benefits prospectively due to a spouse or civil partner in the future).**

The Trustee may pass member data to authorised third parties to assist in the administration and management of the Scheme. If you want to understand the type of personal information held by the Trustee, how it is obtained, how it is used, and how it is stored, then please see the Scheme's Privacy Notice. It can be found at www.bspspensions.com.

Consultative meeting 2019

This year's annual consultative meeting was held on 2 October 2019 in Ashorne Hill Management College.

The event brought together the Trustee board, retirement associations, works committees, pensioners and Tata Steel (Europe) representatives.

Presentations were made by the Trustee Chairman, Chief Investment Officer, Tata Steel UK Limited, the Scheme Actuary and Scheme Officers. Copies of these presentations are available within the 'Library' section of the Scheme website www.bspspensions.com.



Further information

Other ways to receive the newsletter

By email

Rather than receive a paper copy of the News Brief, almost 9,000 members elect instead to receive an email from the Pensions Office alerting them to a new edition of the News Brief being added to the Scheme website www.bspspensions.com.

If you would like to receive these alerts, please email the Pensions Office at pension.enquiries@bspspensions.com from your usual email account with the following information:

- Your full name
- Your National Insurance number

Please quote 'News Brief by email' in the email subject field.

We will then update our records and send you confirmation by email. If you are unable to provide us with an email address do not worry, we will continue to send you News Brief by post.

Other formats

News Brief is available, as always, in Braille, CD and large print formats. If you have used this service before, we will automatically send you a copy in your preferred format after you receive the printed version.

To register for this service for the first time, please telephone us on 0330 440 0844 and let us know which version you require.

The Scheme website www.bspspensions.com is compatible with Browsealoud which allows you to have website content read to you. Browsealoud software is free to download.

Contact details

If you have any other questions or concerns about your pension, you can get in touch with the Pensions Office in all the usual ways. When contacting the Pensions Office, please quote your National Insurance number and indicate whether your enquiry relates to membership of the former Corus Engineering Steel Pension Scheme.



Email

pension.enquiries@bspensions.com



Website

www.bspensions.com



Telephone

0330 440 0844

Our normal hours are 8.45am to 4.45pm Monday to Friday



Writing from the UK

(no need for a stamp)

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Your feedback

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