

News Brief

FOR MEMBERS OF THE BRITISH STEEL PENSION SCHEME (BSPS)



In this edition

2 Message from your
Trustee Chairman

3 Get to know your new
Trustee Chairman

5 Introducing a new Member
Nominated Trustee director

6 Spotlight on funding

9 Tata Steel takes action to
strengthen Scheme sponsor

11 Scheme noticeboard

12 Contact details

Message from your Trustee Chairman



I would like to welcome you to this News Brief, the first since I took over from Allan Johnston as Trustee Chairman on 1 April 2019.

Firstly, I would like to start by recognising Allan's significant contribution over the period of his Chairmanship. Allan's foresight and leadership over the last 12 years were critical factors in being able to offer members the opportunity of switching to the new Scheme as an alternative to entry into the Pension Protection Fund.

Allan steps down as Chairman with the Scheme in good shape and I am pleased to say that I will be able to call on his knowledge and experience as he continues to serve as a Company Nominated Trustee director.

In this edition, we will detail the results of the Scheme's first actuarial valuation as at 31 March 2018 and also introduce you to our new Member Nominated Trustee director, Barrie Evans. I would like to record the Trustee board's thanks to Peter Rees who stood down as a trustee on 31 March 2019. Peter has served the BSPS and its members diligently in this capacity since June 2007.

Your Trustee board will continue to run the BSPS in the best interests of the members and I would look to emulate my predecessors as Chairman. We have a strong team of colleagues in the administration and investment offices to support us, together with access to some of the leading pension advisers in the country. We will continue to communicate regularly with you and keep you updated on the funding and running of the Scheme.

Best Wishes

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

Get to know your new Trustee Chairman

What is your background and how did you come to be a pension trustee?

I am a Chartered Accountant by way of professional background and have spent most of my working life in financial and managerial roles in the financial services sector, latterly with Royal & Sun Alliance (RSA now) and Phoenix, both on the Life and Pensions side of the business. It was whilst working at RSA that I was asked to be a Company Nominated Trustee of their defined benefit scheme, a role I was also asked to do at Phoenix. I continued both roles, the former as Chairman of Trustees, after I stepped down from full-time work in 2007. I have relinquished the Phoenix role now but in addition to the BSPS and RSA chairman's role, I am also Chairman of Trustees of the Pilkington Superannuation Scheme and an Independent Trustee of the Willis Scheme.

What was it that attracted you to the BSPS?

The BSPS is a large and prestigious pension scheme. It also has a unique background following 'Time to Choose'. Every single member who switched to the new BSPS did so by expressing a positive choice in very difficult circumstances.

Both myself and my fellow independent Trustee director, Catherine Claydon, recognised the circumstances which led to the Scheme's creation as a valuable alternative to entry into the PPF and welcomed the opportunity and challenge to be able to contribute to ensuring that members receive the benefits they are entitled to.

I recognise that I will be the first Independent Chairman of the BSPS with no background in the steel industry, but as you can see from the first question above I do bring extensive pension experience, will be committed to the Scheme and will do all I can to ensure member expectations are fully met.

What are your first impressions of the Scheme?

I am very impressed with many aspects, particularly the dedication of Scheme Officers in delivering 'Time to Choose' and the creation of the new Scheme during a very unsettling and uncertain time. On the investment side, the in-house team has great experience and has regularly exceeded performance benchmarks, picking up many industry awards along the way and more recently has had to adapt to a new and different investment strategy.

The in-house administration team, which was undoubtedly stretched by the unprecedented level of activity during 'Time to Choose', has shown remarkable resilience and is committed to providing high standards of customer care to the membership.

The Trustee board is now much smaller than before but has a strong focus on good governance; there is a great deal of commitment amongst Scheme Officers, most of whom are themselves members. The Scheme also has a top class set of lawyers, actuaries and investment consultants supporting and advising it.

What are your/the Trustee board's main objectives for the next year?

The Trustee board certainly has a full agenda for 2019. The 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 the Trustee needs to manage the risks facing the Scheme and do whatever they can to enhance the security of members' benefits. The board spent a lot of time last year getting a really good understanding of the risks, in conjunction with the first actuarial valuation. Exploring all available options to improve the security of members' benefits will be a key focus for the Trustee board during the coming year.



Photo: (Left-to-right) Allan Johnston & Keith Greenfield

The Scheme came into existence with provisions to give extra money ('restoration') to members in the future, over and above the guaranteed benefits, if certain financial conditions are met. Whilst securing existing benefit commitments must remain the overriding priority, the Trustee will always be mindful of these 'restoration' provisions when making decisions on the future of the Scheme.

Introducing a new Member Nominated Trustee director

We are delighted to announce that, following the self-nomination exercise for the two Member Nominated Trustee director roles on the Trustee board advertised in the December 2018 News Brief, Shaun Corten has been re-appointed to the Board and Barrie Evans has joined with effect from 1 April 2019.



Barrie Evans said: 'My background within Tata Steel UK and the wider Steel community mean that I am well positioned to understand the views of Scheme members and facilitate the dissemination of communications both to and from the Trustee board.'

'I believe my knowledge of the challenges facing Tata Steel UK will be a significant asset to the Trustee board, given the importance to the Scheme of a strong sponsoring employer.'

Barrie has been employed in the steel industry since 1995 and is the Branch Secretary of the Community union at Port Talbot Works. Welcome on board Barrie!

What is a trustee?

All occupational pension schemes must have trustees who are responsible for running the scheme. The British Steel Pension Scheme is run by a Trustee company called B.S. Pension Fund Trustee Limited, which has a Board of six Trustee directors.

A trustee is responsible for ensuring that the scheme is run professionally and efficiently, in accordance with the legal documents governing the scheme and overriding legislation. All trustees have the same duties and responsibilities.

These include a duty to act prudently, in the best interests of all the beneficiaries and to protect members' benefits.

Find out more about who else is on the Trustee board by visiting the Scheme website: www.bspspensions.com

Spotlight on funding

The Trustee has carried out a review of the Scheme's financial position as at 31 March 2018.

The purpose of this statement is to provide you with a summary of the valuation results. If you want to know more, a detailed report can be found on the Scheme website: www.bspspensions.com

2018 Results at a glance

Assets £11,221m

Liabilities £10,553m

Surplus £668m

Funding Level 106.3%

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 more contributions are required from the employer.

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.

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 (assets).

As at 31 March 2018, on the basis used by the Scheme Actuary, the BSPS held more assets than the value placed on the Scheme's liabilities (known as technical provisions). The Scheme therefore had a surplus on this 'technical provisions' basis.

The values placed on assets and liabilities can change from time to time, meaning that the funding position may go up or down. If the value placed on liabilities is more than the assets a scheme holds, the scheme is said to be in deficit.

A surplus doesn't necessarily mean the Scheme has more money than it needs. For example, life expectancy of members or the actual investment returns from assets might be different from the assumptions made in the valuation. It does however show that the Scheme's funding position is healthy at the date of the valuation. As a result, no contributions are required from the Company (Tata Steel UK Limited) at the present time.

This is the first valuation of the new BSPS and it looks at the position straight after the new BSPS received a transfer of assets from the Old BSPS for members who chose to switch to the new BSPS during 'Time to Choose'. In future valuations, we will report on how the funding position has changed over time and explain the reasons for any changes.



How well funded is the Scheme on a buy-out basis?

The Scheme Actuary has estimated how much it would have cost on 31 March 2018 to secure all Scheme benefits with an insurance company (the estimated 'buy-out' cost).

The Scheme Actuary has estimated that the assets of the Scheme would have met 90% of the buy-out cost on that date. The buy-out cost is higher than the technical provisions for a number of reasons. For example, an insurance company is required to make more prudent assumptions when calculating the liabilities, is subject to different regulatory and capital requirements and will aim to make a profit for its shareholders.

Please note, the Actuary's estimate excludes the cost of the restoration uplifts that are expected to apply if and when the Scheme's assets are at least 103% of the buy-out cost for all benefits.

The achievement of buy out remains a key objective for the Trustee as it will not only ensure that it could secure all members' benefits, but also enable an element of restoration to be added to those benefits.

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 greater than PPF compensation.

Further information about the PPF is available at www.pensionprotectionfund.org.uk or by calling the helpline on 0345 600 2541.

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.

In certain circumstances, the Pensions Regulator has powers to intervene to make changes to a scheme, give directions on the valuation or impose a schedule of contributions. The Pensions Regulator has not needed to use these powers in relation to the BSPS.



Asset allocation

The Trustee's policies are:

- to hold assets that are expected, with a high degree of confidence, to generate cashflows sufficient to pay benefits as they fall due
- to minimise the risk of a fall in the funding level that would require the Trustee to call on TSUK for contributions, and
- subject to the above, and with appropriate prudence, to invest with a view to achieving a funding level of 103% buy-out, so that there can be restoration.

Details of the Scheme's asset allocations as at 31 March 2018 are included in the Annual Report & Accounts which is available on the Scheme website:

www.bspspensions.com

Tata Steel takes action to strengthen Scheme sponsor

As part of the agreement that led to the setting up of the new BPS, the old BPS took 33% of the shares in Tata Steel UK Limited ('TSUK').

The appropriate proportion of these shares was transferred to the new BPS (giving it a shareholding of roughly 27%) and the remainder stayed in the old BPS.

Since then, Tata Steel has supported TSUK by providing more cash in return for additional shares.

This is in addition to the support that Tata Steel has provided over many years, which has included substantial loans to TSUK and other financing assistance.

In preparation for the proposed joint venture between Tata Steel Europe and thyssenkrupp, Tata Steel intends to increase further its financial support to TSUK. This involves TSUK being relieved from very substantial debt obligations to Tata Steel in exchange for shares in TSUK, known as a debt for equity swap. Additionally, Tata Steel is also making new financial support available to TSUK in cash against the issue of shares. These measures will together greatly improve the financial health of TSUK.

If TSUK were to become insolvent, the BPS would have to be wound up. This might happen at a time when the Scheme does not have enough assets to secure all benefits in full with an insurance company. Tata Steel's actions will reduce still further the chance of this happening and are therefore welcomed by the Trustee as this improves the financial strength of the Sponsor.

However, the actions mean that the shareholding that the new BPS has in TSUK is reduced to less than 1%. As the shares in TSUK are recorded at nil value by the Scheme, the reduction in the Scheme's shareholding has no impact on the value of its assets or its funding position.

Restoration

The agreement setting up the new BPS included provisions for additional payments to be made to members in certain circumstances. One of these provisions related to any income from the Scheme's shares in TSUK.

Given TSUK's financial circumstances, ahead of Tata Steel's actions described above, the Trustee considered that there was no realistic prospect of any income being received from the Scheme's shareholding in TSUK in the short to medium term. Even in the long term, the prospect of any income was very remote. The actions being taken to strengthen TSUK do not materially change that assessment.

The remaining restoration provisions depend on an unexpected surplus being disclosed by the 2021 actuarial valuation and/or the Scheme having more than sufficient funds to secure benefits with an insurance company. Whilst the Trustee is not in a position to make promises, it remains optimistic that additional payments to members may be possible in the future under at least one of these provisions.

Email scam awareness

Email scams - also called "phishing" scams - are increasingly common as fraudsters come up with new ways to try and steal personal information and bank details.

Scammers will often try to fool you into believing the e-mail has come from an organisation you know and trust such as a bank or pension scheme.

What is a phishing scam?

Phishing is when a criminal contacts you out of the blue and convinces you to hand over your personal information or money or gets you to download a virus that infects your computer.

Useful checks for you to protect your data

- Be aware and pro-active: if the email does not contain specific information, and instead contains little detail or a poorly formatted link or attachment, pause before clicking the link.

- The email address that appears in the 'from' field of an email is not a guarantee that the email came from the person or organisation that it claims to have originated from. Hover the cursor over the sender name to see the email address behind it.
- Fraudsters are unlikely to know your real name, so the email may address you in vague terms, for example 'Dear Valued Customer'.
- Phishing emails often contain poor spelling and grammar and they commonly lack consistency with the presentation of the email, such as vague information or poorly formatted text.

Check with the Pensions Office

If you're unsure whether a scammer is behind an email claiming to relate to your BSPS membership, get in touch with the Pensions Office. Our contact details are on page 12.

Scheme noticeboard

Investment office – award winners

Congratulations to both Hugh Smart and Richard Ross on receiving 'Chief Investment Officer of the Year' and the 'Best Use of Real Estate' awards respectively.

Hugh was joint winner of the 'Chief Investment Officer of the Year 2019' in the Institutional Investor European Peer-to-Peer Awards in Rome on 7 February 2019. This is a credit to the collective hard work, skill and dedication of our entire team over many years.

On behalf of the Fund's Property team, Richard accepted the award for 'Best Use of Real Estate 2019' at the Alternative Investments Institute's UK & Ireland Alternatives Summit Peer-to-Peer Awards on 30 January 2019.



(Left-to-right) Richard Ross, Head of Property & Hugh Smart, Chief Investment Officer, British Steel Pension Fund

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.* Pensioners will have received a letter at the end of March 2019 detailing how any increase has been applied to their pension.

Included with the pension increase letter is a statement (known as a P60) which shows how much pension has been received and how much has been deducted in tax during the year. If you have not yet received your documents, you should contact the Pensions Office (see page 12 for contact details).

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

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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