

British Steel Pension Scheme Information Debriefing following May 2020 Trustee Board Meeting:

The May 2020 meeting of the Trustee board was held remotely in line with current Government restrictions on travel and face-to-face meetings.

Chairman's Update

- The Scheme had taken prompt action to deploy its business continuity plan in order ensure continuity of service to members and to safeguard the health and safety of staff and their families in light of the Covid-19 pandemic
- The Trustee board noted that despite reduced access to the Glasgow and London offices which meant the majority of staff were working from home, Scheme officers were continuing to fulfil all of their key service obligations with minimum disruption
- Information on current service arrangements can be found on the Scheme website www.bspspensions.com.
- The Trustee board was updated on recent developments in connection with a number of long-standing member complaints to the Pensions Ombudsman

Integrated Risk Management (IRM) Framework Update

- The Trustee uses a quarterly IRM "dashboard" to provide ongoing monitoring of the key investment, funding and covenant risks facing the Scheme and to track progress against the Scheme's journey plan and targets set by the Trustee. The aim of this ongoing assessment is to enable the Trustee to take appropriate action promptly if required
- The quarterly dashboard was considered at the meeting. Despite the impact of very challenging market conditions on funding levels and investment returns, the funding buffer held by the Scheme meant no downside risk actions were required
- Although the BSPS is intended to meet its liabilities on a self-sufficiency / low risk basis there is still a regulatory requirement on the Trustee to assess the strength of the Company covenant (i.e. the sponsors financial position, prospects and willingness to continue to support the Scheme) at the time of each actuarial valuation and to monitor developments in the covenant during the inter-valuation period. This recognises the importance of the Scheme having a solvent sponsor. The Trustee's independent expert advisers, Penfida Ltd, presented their covenant assessment report on the financial position and performance of the Scheme's sponsor
- The Trustee was updated on recent progress in evaluating potential de-risking options for the Scheme

Tata Steel Update

- The Trustee and its advisers received a helpful and balanced update from the TSE Chief Financial Officer on the 12-month financial performance of Tata Steel UK Ltd for 2019/20 and the annual plan projections for 2020/21
- The Trustee board recognised the challenging conditions in which the Company was operating and noted the arrangements in place to provide the Scheme with the necessary information to undertake its covenant assessment

Investment Strategy

- The investment strategy for the Scheme is set out in the Statement of Investment Principles (**SIP**). It is expected to bring the Scheme to full funding on a buyout basis in due course
- The Trustee considered proposals from the Scheme's investment consultants for the management of the Fund's Gilts and Derivatives portfolio
- The Trustee was updated on progress to agree with Tata Steel UK Limited changes to the Scheme's investment powers which are intended to help mitigate the interest rate risks faced by the Scheme
- The Trustee intends to carry out a comprehensive review of the Scheme's investment strategy. As a precursor to detailed discussions over the coming months, the Scheme's investment consultants set out a possible framework to support this review
- The Trustee board noted the potential adverse impact proposed changes to the Retail Prices Index could have on the Scheme's assets and noted that the Scheme's investment manager intended to submit a response to the Government consultation on this matter

Chief Investment Officer's Report

- The Chief Investment Officer (**CIO**) provided a detailed update on general investment matters noting developments since the last meeting
- The Fund benchmarks the performance of its assets against movements in Scheme liabilities. The CIO reported performance against appropriate benchmarks for the period to 31 March 2020
- The value of Scheme assets was £11.048 billion as at 13 May 2020
- The Trustee received a detailed presentation on the performance of, and prospects for, the Scheme's property portfolio
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

Report of the Audit and Risk Committee

- The Trustee board had previously approved the creation of an Audit and Risk Committee (**ARC**) to oversee the Scheme's statutory annual audit as well as other aspects of the Scheme's governance regime
- The Chairman of the ARC briefed the Trustee of the outcomes of the meeting of the ARC held in March
- The ARC had met with the Scheme auditors to agree the strategy and timetable for the Scheme's statutory audit. Additional assurance testing of the Scheme's Internal Controls Regime had also been agreed, initially focussing on the administrative operation in the Glasgow office
- The Trustee board determined the arrangements for the valuation of the Scheme's property assets for accounting purposes as at 31 March 2020 and agreed the basis on which subsequent quarterly updates should be completed

Report of the Remuneration Committee

- The Chairman briefed the Trustee on the work of the Remuneration Committee

Actuarial Update

- The Scheme actuary updated the Trustee following his review of the Scheme's actuarial factors in light of recent volatile market conditions arising from the Covid-19 pandemic
- No changes are required to the basis of the Scheme's transfer value factors at this time. Given the current volatile market conditions, the Trustee will keep the matter under regular review
- An out-of-cycle 'Section 179' valuation had been submitted as at 31 March 2019 for the purposes of calculating the Scheme's PPF levy. As a result of this exercise, the Scheme's PPF levy had been reduced by the order of £3million
- The Actuary also updated the board on the planned timetable for the interim valuation as at 31 March 2020 and progress towards the 2021 triennial valuation
- The Trustee noted the actuary's estimate funding position on the (PPF) Section 179/Section 143 bases

Administration Report

- The Trustee noted the decisions made in one determination and in one dispute case by the Determinations and Disputes Panel
- The Trustee was updated on arrangements for the provision of medical advice in connection with Incapacity retirement applications
- The Trustee approved minor revisions to the Scheme Privacy Policy, a copy of which can be found on the website www.bspspensions.com
- Work was underway to implement an enhanced telephone system in the Glasgow office which would improve the administration team's call handling capabilities
- As at 31 March 2020, Scheme membership was 74,342 comprising 14,812 deferred pensioners and 59,530 members whose benefits were currently in payment
- No complaints had been received under the Scheme's service standard complaints procedure
- Annual pension increase letters and P60 documentation had been issued to pensioners on 27 March 2020 and annual statements for deferred pensioners at the beginning of May 2020.

Technical Update

- The Trustee noted recent developments in pensions law and regulation which could impact on the Scheme

Dates and Locations of Scheduled Meetings

- The Trustee board agreed revisions to the planned dates for the 2020/21 scheduled meetings to reflect the ongoing Covid-19 lockdown restrictions. Venues for the scheduled meetings on 27 August 2020, 24 November 2020, 25 February 2021 and 26 May 2021 would be subject to change and ad-hoc meetings would be held remotely meantime.
- The Trustee board agreed that given the Covid-19 restrictions, it was appropriate to postpone the 2020 Consultative Meeting