

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

Matters arising out of the Minutes

- Matt Wilson, Finance Director, Strip UK Hub, has been appointed as Company Nominated Trustee Director to fill the vacancy on the Trustee board following the retirement of Jo Regan from Tata Steel UK

Agenda Items

Chairman's Update

- 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
- Recent announcements regarding the trading position of Tata Steel Europe and the potential implications for the Trustee's assessment of the Company covenant were discussed
- The Pensions Ombudsman (**TPO**) had issued its final determinations in the four lead cases relating to revisions to the CETV and early retirement calculation methodologies in April 2017. No aspect of the complaints had been upheld and TPO stated there had been no maladministration and that the then Trustee had carried out its duties appropriately and with due skill and care

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. There were no material changes in the risks or the Scheme's funding position relative to expectations; the funding position improved slightly whilst the expected future return on the Scheme assets fell slightly over the quarter due to, amongst other things, an increase in the Scheme's interest rate hedge ratio.
- The Trustee was updated on recent progress in evaluating potential de-risking options for the Scheme

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 approved some minor revisions to the SIP
- It is important to protect the Scheme's funding position from adverse movements in interest rates and inflation. The Trustee was briefed that the Scheme had recently achieved its target level of protection against movements in interest rates. The Trustee continues to keep the level of interest rate and inflation hedging under review
- The Trustee board agreed the investment benchmarks which will apply for the year commencing 1 April 2020
- The government and regulators continue to take steps to require a greater focus by pension scheme trustees on sustainable investment matters. The Trustee board was briefed on actions the Scheme will be required to take to comply with these new regulations.

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 this benchmark from 1 July 2019.
- The value of Scheme assets was £10.828 billion as at 4 February 2020
- The Trustee received a detailed presentation on the performance of, and prospects for, the Overseas Equities and Alternatives portfolios
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

Investment Governance

- The Trustee received an update from the directors of the Scheme's internal investment manager, Pension Services Limited

Actuarial Update

- A key requirement in setting up the new Scheme was that members should continue to be eligible for protection by the Pension Protection Fund (**PPF**). The Trustee was updated on actions aimed at minimising the levy payable

Administration Report

- As at 31 December 2019, Scheme membership was 75,019 comprising 15,034 deferred pensioners and 59,985 members whose benefits were currently in payment
- The board was briefed on updated Business Continuity arrangements for the Glasgow and London offices
- The Trustee noted decisions made in one case by Scheme Officers under stage 1 of the Scheme's internal Dispute Resolution Procedure (**IDRP**), and one further determination made under stage 2 of the IDRP by the Determinations and Disputes Panel
- The Trustee reviewed arrangements for the future provision of medical advice in connection with Incapacity retirement applications

Technical Update

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

Trusteeship

- The Pensions Regulator expects those responsible for managing a pension to undertake regular effectiveness reviews to evaluate how well they are performing. The Trustee received feedback on its recent "self-assessment" exercise. Generally, the exercise indicated that most areas of governance were considered to be operating effectively however there were some areas for improvement and an action plan to address those areas was presented to the Trustee
- The Trustee board considered the appropriate composition of its various sub-committees and working groups following Jo Regan's retirement and filled the resulting vacancies

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
- Pension Regulator guidance requires trustees to regularly assess the performance of key advisers and to take steps to address any performance issues which are identified. The Chairman of the ARC briefed the Trustee on the outcomes of the review meeting with the lead partner at KPMG, the Scheme's auditors

Report of the Remuneration Committee

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

Trustee Business Plan

- The Trustee board noted the annual review and update to the Business Plan and extended Activity Calendar which set out the Scheme's operational priorities over the coming years

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the 2020/21 scheduled meetings as 14 May 2020, 27 August 2020, 24 November 2020, and 25 February 2021.
- The 2020 Consultative Meeting is to be held at Ashorne Hill Management College on 8 October 2020. Scheme Officers have been tasked to look at ways to strengthen member engagement at the Consultative Meeting