

British Steel Pension Scheme Information Debriefing following November 2019 Trustee Board Meeting:

Agenda Items

Chairman's Update

- The Chairman commented on recent interactions with the Pensions Regulator which recognised the work undertaken by the Trustee in developing and implementing the Scheme's Integrated Risk Management Framework
- The Trustee considered the effectiveness of its recent Strategy Day and agreed that it had provided a valuable opportunity for Trustee directors to consider in detail the pros and cons of various possible risk management strategies

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 although the interest rate risk was reducing as the IP2 Gilt repo programme progressed
- 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 an update from senior Company representatives on the most recent 6 month and previous full year 12-month financial performance of Tata Steel UK Ltd

Investment Governance

- In line with new regulations, the Trustee agreed high level strategic objectives for their investment consultants and approved a framework for annual review

Performance Management Arrangements

- Pensions Regulator guidance requires trustees to regularly assess the performance of key advisers and to take steps to address any performance issues which are identified.
- Reviews of the Scheme's professional advisers are carried out annually to ensure that high service standards are maintained
- Following the 2019 review, Trustee directors are generally satisfied with the standards of service provided and the Scheme advisers were reappointed accordingly

Actuarial Update

- The results of the 2019 Annual Funding update were communicated to members in the November 2019 News Brief, a copy of which can be found [here](#)
- 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 briefed on the levies payable to the PPF in a range of circumstances and approved actions aimed at minimising the levy payable

Investment Strategy

- The investment strategy for the Scheme is set out in the Statement of Investment Principles. It is expected to bring the Scheme to full funding on a "buy-out" basis in due course
- It is important to protect the Scheme's funding position from adverse movements in interest rates and inflation. The Trustee received an update on recent actions to increase the Scheme's overall level of interest rate and inflation hedging
- The Trustee board was updated on recent changes to the Scheme's investment documentation and considered circumstances in which further changes might be required

Report of the Remuneration Committee

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

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 has recently amended the benchmark against which the performance of its assets is measured so that it is better aligned with movements in Scheme liabilities. The CIO reported the Fund's performance against this benchmark from 1 July 2019.
- The value of Scheme assets was £10.643 billion as at 19 November 2019
- The Global Duration Equity Portfolio has a remit to invest in infrastructure equities on a global basis. The Trustee received a detailed presentation on the performance of, and prospects for, this portfolio
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved
- Pension schemes may find it helpful to develop and maintain a set of beliefs about how investment markets function and which factors lead to good investment outcomes. The Trustee considered an initial set of draft investment beliefs for the Scheme
- In common with most large UK pension schemes, the Department for Work and Pensions had written to the Trustee to remind it of changes to Investment and Disclosure Regulations and to ask it about environment, social, and governance (**ESG**) actions being undertaken by the Scheme. The Trustee considered its draft response
- The Trustee was updated on staffing developments within the investment office

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 October
- The ARC had reviewed the Scheme auditors, in line with the reviews of the other key professional advisers, and recommended to the board that KPMG be reappointed to conduct the 2020 statutory audit and a review of the Scheme's Internal Controls regime

Administration Report

- As at 30 September 2019, Scheme membership was 75,449 comprising 15,137 deferred pensioners and 60,312 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 two cases by Scheme Officers under stage 1 of the Scheme's internal Dispute Resolution Procedure (**IDRP**), and a further five determinations made under stage 2 of the IDRP by the Determinations and Disputes Panel
- The Determinations and Disputes Panel had also made one decision in relation to a discretionary lump sum death benefit
- Two cases of attempted fraud had been identified in connection with pensioners resident overseas and the Trustee was briefed on the background and the actions being taken by Scheme Officers to minimize the risk of similar frauds occurring in the future
- The Trustee was updated on developments arising from work being undertaken to improve (cleanse) Scheme data
- Pension payment dates for 2020/21 were confirmed

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 noted the dates for the 2020 scheduled meetings as 13 February 2020, 14 May 2020, 27 August 2020, and 24 November 2020
- Feedback from delegates attending the 2019 Consultative Meeting was generally very positive, with almost all delegates who provided a response rating all aspects of the meeting “Good” or better. In recognition of the positive feedback, provisional arrangements had been made to hold the 2020 Consultative meeting at Ashorne Hill Management College on 8 October 2020.
- Scheme Officers will consider methods to improve and widen member engagement at the Consultative Meeting