

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

Trustee Knowledge and Understanding

- There is a statutory requirement for the trustees of occupational pension schemes to have the necessary knowledge and understanding to fulfil their duties as a trustee
- Ahead of the meeting the board participated in training sessions covering risk management, Guaranteed Minimum Pensions (**GMP**) conversion options and Environmental, Social and Governance (**ESG**) and stewardship regulations for pension schemes

Agenda Items

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 IRM Framework and Risk Management Policy are subject to regular review to ensure that they remain appropriate and up to date. The Trustee approved the updated Risk Management Policy, considered the annual risk assessment of the IRM and noted actions to further mitigate the key risks facing the Scheme
- 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

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 meetings of the ARC held in June and August
- The ARC had met with the Scheme auditors to consider the outcomes of the Scheme’s statutory audit. It was reported that the Scheme auditors had delivered an unqualified audit report with no material control deficiencies identified and no requirements for a management letter

Annual Report and Financial Statements

- The Draft Annual Report and Financial Statements were presented and, in line with the recommendation of the ARC, approved by the Trustee
- The Annual Report and Financial Statements will be added to the Scheme’s website

Risk Management Framework

- The Pensions Regulator’s Code of Practice on Internal Controls requires trustees to formalise risk management procedures to ensure that their scheme has adequate internal controls to allow it to be administered and managed effectively
- Trustee directors reviewed the Scheme’s Risk Management Policy and Risk Register and considered key operational risks and mitigating actions

Investment Governance

- The Trustee approved a number of amendments to the Investment Office Authorities Manual
- An independent review of investment governance processes at the Scheme’s investment manager, Pension Services Limited was previously considered by the Trustee
- The Trustee was briefed on the Fund Officers’ response to the recommendations in the report and the actions being taken

Actuarial Update

- An update was given on the 2019 Annual Funding Update. The results will be communicated to Scheme members via the Scheme's newsletter which is scheduled to be issued in October
- 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 taken by Scheme Officers and advisers aimed at reducing the Scheme's annual PPF levy
- The Trustee board was briefed on additional functionality of WTW's Asset Liability Suite which will assist the Trustee monitor the Scheme's funding position between actuarial valuations

Report of the Remuneration Committee

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

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.
- The Scheme's main professional advisers were originally appointed as advisers to the old BPS and their appointments were carried over to the current Scheme following its creation in 2017. The Trustee considered arrangements to carry out reviews of all of the main advisers with a view to ensuring that any performance issues are identified, and the Trustee has an opportunity to take remedial action.
- The Trustee was also briefed on the forthcoming requirement for trustees to set strategic objectives for their investment consultants and discussed performance management arrangements for Scheme Officers and trustee directors

Member survey

- Postal questionnaires designed to gauge the effectiveness of the Scheme's communications and quality of service were sent to 3,000 Scheme members drawn proportionately from Deferred Pensioners, Pensioners and Dependents
- Overall the vast majority of members who expressed an opinion were positive about their experience of the Scheme
- There were only a small number of negative responses many of which related to experience during the Time to Choose exercise. Of the matters relating to the new Scheme, comments pointed to individual issues/experience rather than systemic failings.
- Negative respondents who provided contact details have been contacted directly by Scheme Officers regarding their feedback. Trustee directors noted the action plan prepared by Scheme Officers in response to feedback expressed by respondents
- The next Member Survey is scheduled to take place in summer 2022

Administration Report

- As at 30 June 2019, Scheme membership was 75,992 comprising 15,397 deferred pensioners and 60,595 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 two determinations made under stage 2 of the IDRP by the Determinations and Disputes Panel
- One complaint was received under the Scheme's service standard complaints procedure and an appropriate response issued by Scheme Officers
- In line with statutory requirements, Scheme members are entitled to request one CETV statement on request in any 12-month period and are not entitled to receive a CETV statement after attaining age 64. After consideration the Trustee agreed that members could in future be provided on request with up to two CETV statements in any one 12-month period and that CETV statements could also be requested up to the Scheme Normal Retirement Age of 65.
- The Trustee noted that Scheme Officers were adopting the Pensions Administration Standards Association's guidance to support members receiving a CETV statement

Technical Update

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

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
- The Trustee received an update on actions to increase the Scheme’s overall level of interest rate and inflation hedging and an update on changes to investment documentation

Chief Investment Officer’s Report

- The Chief Investment Officer provided a detailed update on general investment matters noting developments since the last meeting
- The value of Scheme assets was £11.09 billion as at 21 August 2019
- The Trustee received a detailed presentation on the Scheme’s bond portfolio
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved
- Fund Officers demonstrated improved systems which had been developed in-house to support the revised benchmark framework aimed at better matching the interest rate and inflation sensitivity of the Scheme’s assets to those of its liabilities

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the 2019/20 scheduled meetings as 20 November 2019, 13 February 2020, 13 May 2020, and 27 August 2020
- The 2019 Consultative Meeting is to be held at Ashorne Hill Management College on 2 October 2019