

British Steel Pension Scheme

Information Debriefing following February 2019 Trustee Board Meeting:

- The Rookes report on the old Scheme's *Time to Choose* exercise was published on 22 January 2019 and the Trustee's statement and a link to the Report had been added to the Scheme website. The results of the member survey conducted for the review showed that members were generally satisfied with the information provided and with the decisions they had made
- The Scheme had recently won two awards: "Best Use of Real Estate" at the Alternative Investments Institute Peer-to-Peer awards, and "Chief Investment Officer of the Year" (jointly) at the Institutional Investor European Peer-to-Peer Awards

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 Trustee approved the appointment of specialist advisers to assist it 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. It is expected to bring the Scheme to full funding on a "buy-out" basis in due course
- The Trustee was updated on developments to manage the Scheme's interest rate and inflation risks
- The Trustee approved changes to the Scheme Specific Benchmark reflecting the ongoing de-risking of Scheme assets

Chief Investment Officer's Report

- The Chief Investment Officer provided a detailed update on general investment matters
- The value of Scheme assets was £10.416 billion as at 19 February 2019
- The Trustee noted that Keith Greenfield would succeed Steve Maddock as Chairman of the board of directors of the Scheme's in-house investment manager, Pensions Services Limited
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

Environmental, Social & Governance Update

- Changes to regulations effective from 1 October 2019 will require pension schemes to set out how they take account of Environmental, Social and Governance (**ESG**) considerations such as climate change. Schemes will be required to implement policies in relation to the stewardship of their investments, including engagement with investee firms and the exercise of voting rights associated with the investment.
- The Trustee noted that changes would be required to the Scheme's Statement of Investment Principles later in the year so as to comply with the new regulations
- The Scheme has already engaged with interested parties on climate risk including the House of Commons' Environmental Audit Committee and ClientEarth

Trustee Knowledge and Understanding

- Regular and appropriate training takes place to develop and refresh Trustee directors' knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding of occupational pension schemes and the investment of scheme assets
- The board participated in a training session on operational investment risks relating to a liability hedging mandate on 17 January 2019
- The Trustee was briefed on the detail of the Scheme's pension increase provisions

Actuarial Update

- An update was given on the Scheme's actuarial valuation as at 31 March 2018. The results are expected to be communicated to Scheme members in the first quarter of 2019

- The Scheme Actuary summarised the arrangements which will follow the conclusion of the 2018 Valuation and an outline of the timetable for the 2019 funding update process
- Pending completion of the actuarial Valuation as at 31 March 2018 it was appropriate for the Scheme's actuarial factors to be reviewed to take account of changes affecting the demographic and economic assumptions used to determine the factors
- After consideration of the recommendations of the Scheme Actuary, and views from the Company where appropriate, any changes to actuarial factors will be implemented in due course once appropriate changes have been made to the Scheme's administration systems and processes
- 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 noted actions being taken by Scheme Officers and advisers aimed at reducing the Scheme's annual PPF levy

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. An action plan will be presented to the May Trustee board meeting
- The board considered and approved draft Terms of Reference for the creation of a Determinations Panel and for an Audit Committee. The establishment of a Determinations Panel is expected to allow the Trustee to deal with disputes and the exercise of the Trustee's discretionary powers in connection with lump sum payments on death more efficiently
- The Trustee recorded a vote of thanks to Peter Rees who did not stand for reappointment and will step down as a Member Nominated Trustee Director on 31 March 2019. Peter has served the Scheme and its members diligently in this capacity since January 2013
- The board noted the results of the Member Nominated Director (MND) selection process. Details of the two successful candidates will be announced shortly. The new appointments will take effect from 1 April 2019

2019/20 Operating budgets

- The Trustee approved draft operating budgets for the Glasgow and London offices for 2019/20

Dispute Cases

- Four dispute cases put forward by members were considered and determinations made by Trustee directors
- The Trustee board noted 7 cases where a decision had been made by Scheme Officers in exercise of their delegated authority to determine complaints to the Trustee under Stage 1 of the IDR

Technical Update

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

Administration Report

- As at 31 December 2018, Scheme membership was 77,235 comprising 15,945 deferred pensioners and 61,290 members whose benefits were currently in payment
- The board was briefed on updated Business Continuity arrangements for the Glasgow and London offices
- Two complaints were received under the Scheme's service standard complaints procedure and appropriate responses issued by Scheme Officers
- The board was updated on progress in the GMP reconciliation exercise
- The Trustee board noted actions being taken to further improve Scheme member records. Currently potential liabilities relating to prospective dependents' benefits are based on estimates from the Scheme Actuary. Many schemes are using external specialists to provide more accurate information and the Trustee requested that Scheme Officers and advisers consider the benefits of engaging such a specialist

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the 2019/20 scheduled meeting as 17 May 2019, 22 August 2019, 20 November 2019, and 13 February 2020
- The 2019 Consultative Meeting is to be held at Ashorne Hill Management College on 2 October 2019

AoB

- The Trustee noted that this was Allan Johnston's last meeting as Trustee Chairman, a post he has held since 2007. Allan will continue to serve the Scheme and its members as a Company Nominated Trustee director
- Keith Greenfield will succeed Allan as Trustee Chairman from 1 April 2019. Further information on the handover will be included in the next Scheme newsletter

Information Debriefings provide a brief summary of matters discussed at the Trustee board meetings. They are made available so that members and others with an interest in the Scheme may know about the role of the Trustee and the work it does to ensure that the Scheme is administered properly.

Information Debriefings are not an official record of the Trustee's decisions and no reliance should be placed upon them.