

British Steel Pension Scheme Information Debriefing following August 2018 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 benchmarking investment performance and the insurance options currently available for pension schemes

Agenda Items

General Update

- The Trustee board was updated on the work being carried out to conclude the split of assets between the Old BSPS (**OBS**PS) and the Scheme

Audit Update

- The Trustee board considered a document outlining the strategy to be adopted for the 2018 statutory audit, and the timetable for the preparation of the 2018 Annual Report & Accounts
- The Scheme's auditor, KPMG, updated the Trustee board on work being undertaken

Integrated Risk Management (IRM) Framework Update

- Integrated risk management is the process of considering the risks that may affect pension schemes in order to understand how they could affect each other and how they can best be managed
- With the assets that were transferred from the OBS
PS, the new Scheme is well positioned to pay benefits securely on a low risk basis, but some risks remain- The board was updated on the work being undertaken to implement an IRM Framework by 31 December 2018

Investment Strategy

- To determine the Scheme's investment strategy, the Trustee needs to make decisions regarding the Scheme's long-term funding target, the timescale for achieving this objective, the Trustee's tolerance for investment risk and the principles for managing the Scheme's assets if ahead or behind the target
- The Scheme's investment consultant presented a paper to inform the Trustee's discussions on the agreement of an appropriate investment strategy
- The Trustee board agreed that an appropriate investment strategy for the Scheme was to target full funding on a "buy-out" basis in the longer term

Chief Investment Officer's Report

- The Chief Investment Officer provided a detailed update on general investment matters
- The value of Scheme assets was £10.497 billion as at 28 August 2018

Investment Governance

- In order to update the objectives for managing the Scheme's assets, the Trustee board approved the introduction of revised Scheme Specific Benchmarks with effect from October 2018
- Consideration was given to the composition of the board of directors of the Scheme's in-house investment manager, Pensions Services Limited
- The board was briefed on arrangements for the provision of advice relating to property holdings

Actuarial Update

- An update was given on the Scheme's actuarial valuation as at 31 March 2018
- The Trustee board approved the assumptions set out in the Actuary's report and agreed the terms of a formal proposal to be submitted for consideration by the Company
- The results of the 2018 actuarial valuation will be communicated to Scheme members in due course

Covenant review

- There is a requirement on trustees to assess the strength of the Company covenant at the time of each actuarial valuation and to monitor developments in the covenant during the inter-valuation period
- As part of the current actuarial valuation process, the Trustee has again engaged independent expert advisers, Penfida Ltd, to review the Company covenant
- Penfida presented initial insights into the financial position and performance of the Scheme's sponsor, and set out the work to be undertaken to complete a full review

Trusteeship

- The Pensions Regulator's Code of Practice requires that arrangements for the nomination and selection of Trustee directors should be subject to periodic review to establish that they remain appropriate for the scheme and are consistent with the regulatory principles of proportionality, fairness and transparency
- The board approved appropriate procedures for the nomination and selection of Member Nominated Directors (**MNDs**) and MND terms and conditions of appointment as well as the composition of the MND Selection Panel
- Details of the nomination and selection processes will be set out in the Scheme newsletter issued towards the end of the year
- Approval was given for the establishment, composition and terms of reference of two Committees to support the efficient conduct of Trustee business
- The Pensions Regulator requires trustees to evaluate how effectively the board is performing and the board was briefed on possible options for measuring its effectiveness. The board agreed that an initial review should take place in early 2019.

GDPR update

- From 25 May 2018, all pension schemes within the EU are subject to the new General Data Protection Regulations (**GDPR**), which replaces the Data Protection Act 1998.
- The Trustee takes data protection very seriously and is implementing an independent plan of action and activities to ensure it is compliant. The board was updated on progress towards completion of the plan
- The Trustee approved a revised draft Privacy Statement outlining the type of personal data held by the Scheme, and how it is obtained, used, and stored
- The Privacy Statement will be added to the Scheme website and will be available on request from the Pensions Office
- A formal review of the Privacy Statement will be carried out in September 2021

Dispute Cases

- The Trustee board was updated on disputes raised by members after 29 March 2018 which are considered in line with the Complaints Management Protocol
- The board was advised of a recent determination by the Pensions Ombudsman in respect of a former Scheme member
- The Trustee board was briefed on recent developments relating to disputes raised by members in connection with the calculation of cash equivalent transfer values by the old BPS
- Six dispute cases put forward by members were considered and determinations made by Trustee directors
- The Trustee board noted twelve cases where a decision had been made by Scheme Officers in exercise of their delegated authority to determine complaints to the Trustee board under Stage 1 of the IDR

GMP reconciliation exercise

- Formerly contracted-out pension schemes, such as the British Steel Pension Scheme, are undertaking exercises to reconcile contracted-out benefits, such as Guaranteed Minimum Pensions (**GMPs**) with records held by HMRC
- The new single-tier state pension does not take account of GMPs in the way that the old two-tier state pension did and so HMRC will no longer need to keep track of GMPs for people who reach State pension age after 6 April 2016
- The board was updated on progress in the Scheme's GMP reconciliation exercise

Administration Report

- As at 30 June 2018, Scheme membership was 78,350 comprising 16,752 deferred pensioners and 61,598 members whose benefits were currently in payment
- The board was briefed on updated Business Continuity arrangements for the Glasgow and London offices
- Participation in recent NFI exercises continue to prove of considerable value in ensuring pensions are paid to correct beneficiaries. The Trustee board noted the Scheme's participation in the 2018/19 exercise
- 7 complaints were received under the Scheme's service standard complaints procedure and appropriate responses issued by Scheme Officers

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the 2018/19 scheduled meetings as 30 August 2018, 16 October 2018, 10 December 2018, and 20 February 2019.
- The 2018 Consultative Meeting is to be held at Ashorne Hill Management College on 3 October 2018

Information Debriefings provide a brief summary of matters discussed at 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.