



**THE
BRITISH STEEL
PENSION SCHEME**

Annual Pensions Consultative meeting
2 October 2019

Meet the Chairman



Keith Greenfield

Chairman,
B.S. Pension Fund Trustee Limited

I am a Chartered Accountant, who spent the majority of my working life in the Financial Services industry.

I acted as the Finance Director of Royal Sun Alliance's Life business and then Managing Director when the business was transferred to Resolution plc.

I have been a Final Salary DB pension Trustee for the Royal Insurance Group Pension Scheme since 2003, and Chair of Trustees from 2007.

I have also chaired the Pilkington Superannuation Scheme since 2012.

In addition, since 2016 I have been an independent Trustee and Chair of the Investment committee of the Willis Pension Scheme.

Speakers



1. Keith Greenfield
Chairman's
Introduction/Update



2. Derek Mulholland
Risk Management



3. Hugh Smart
Chief Investment
Officer's update

- Coffee break and photographs - 10:30



4. Gareth Oxtoby
Scheme Funding



5. Colin Harvey
TSUK Update



6. Martin Ross
Audit and Risk



7. Mike Donohue
Member Experience

- Formal Q & A - 12:30 (13:00 finish)

Trustee board - BSPS

Independent Trustee Directors



Keith Greenfield^{1,3,5}
Trustee Chairman



Catherine Claydon^{2,3}

Company Nominated Trustee Directors



Allan Johnston^{1,3}



Jo Regan^{2,4,5}

Member Nominated Trustee Directors



Shaun Corten^{2,4,5}



Barrie Evans

Trustee Sub Groups

1. Risk Management Joint Steering Committee
2. Audit and Risk Committee
3. Remuneration Committee
4. Determinations Panel
5. Data Working Group

Time to Choose Follow Up




- ▶ **Nearly 83,000 (c70%) old Scheme members decided that the new scheme represented the best outcome for them based on their personal circumstances**
- ▶ Continued fall out from increased transfer activity
 - ▶ Widespread concerns over quality of financial advice - 10 IFA firms stopped doing transfers in agreement with the FCA
 - ▶ Significant compensation payments from Financial Services Compensation Scheme in respect of poor advice
- ▶ Rookes Report published in January 2019
 - ▶ Highlighted lack of communication between regulatory bodies
 - ▶ Perceived communication vacuum during period RAA was being negotiated
 - ▶ Identified short period over which exercise was conducted, however:
 - ▶ Members surveyed for report expressed high levels of satisfaction with the information and guidance provided by the Trustee and with the choices they made

Trustee Actions and Priorities

- ▶ Overall objective to reach full funding (103%) on a buy out basis with a view to securing members benefits whilst maximising the number of members eligible for restoration
- ▶ Understanding and mitigating key risks
- ▶ Changing the emphasis on which assets are managed with increased focus on performance relative to Scheme liabilities
- ▶ Developing Scheme policy on Environmental, Social and Governance (ESG) priorities
- ▶ More detailed interaction with and improved information flows from the Company
- ▶ Improving the quality of Scheme data - to reflect regulatory changes e.g. GMP rectification and equalisation, and the wish to improve the information available to the Scheme Actuary e.g. confirmation of marital status
- ▶ Strengthening internal governance of Trustee board
- ▶ Improving member experience

Restoration

The Framework Agreement establishing the new Scheme contains three mechanisms whereby additional monies could potentially be paid to some or all members in certain circumstances:

Mechanism	Condition	Eligibility	Likelihood of Pay-out
2021 Actuarial Valuation Increase	A one-off opportunity if the position at the time of the 2021 Valuation is better than expected	Members with some pre April 1997 pension in payment at 31 March 2021	Possible 
103% Increase	If the funding level on a buyout basis reaches at least 103%	The Trustee would decide which members would get an extra payment. All members could be considered	Likely but timing unknown 
Anti-embarrassment Increases	Any proceeds from TSUK shares	Members with pre April 1997 accrual	Unlikely - shares heavily diluted by Recapitalisation of TSUK 

Improving Security of Member Benefits

- ▶ The Trustee's priority will always be to ensure that benefits are paid in full and on time, not just today but until all benefit commitments have been met
- ▶ The Trustee is currently looking at what options might be possible to improve the security of members' benefits
- ▶ This review is still in the early stages and no proposals have, as yet, been considered by the Trustee. Members will be kept informed of developments
- ▶ The Trustee's aim is that the BSPS funding level will reach 103% on the "buyout" basis and, if that happens, the assets of the Scheme will be used to secure benefits with one or more insurance companies, including restoration of benefits in accordance with the terms agreed with the Company
- ▶ In the above scenario the Trustee does not expect there will be any surplus paid to Tata Steel.

Some Options for Managing Risk - Recap

	Bulk annuity - a buy-in or buyout	Longevity hedge
Description	<ul style="list-style-type: none"> A single insurance policy (buy-in) or series of individual annuities (buyout) purchased in respect of scheme members that matches the pension amounts payable for the group covered 	<ul style="list-style-type: none"> An insurance policy covering the longevity risk of the scheme's pensioners
Risks managed	<ul style="list-style-type: none"> Investment Pension increases Longevity Other demographic risks (eg proportion married) 	<ul style="list-style-type: none"> Longevity Other demographic risks (eg proportion married)

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What is a Bulk Annuity - Recap?

