

British Steel Pension Scheme Information Debriefing following August 2020 Trustee Board Meeting:

The August 2020 meeting of the Trustee board was held remotely in line with current Government restrictions on travel and face-to-face meetings.

Chairman's Update

- The Scheme had taken prompt action to deploy its business continuity plan in order ensure continuity of service to members and to safeguard the health and safety of staff and their families in light of the Covid-19 pandemic
- The Trustee board noted that despite reduced access to the Glasgow and London offices which meant staff were working from home where possible, Scheme officers were continuing to fulfil all of their key service obligations with minimum disruption
- Information on current service arrangements can be found on the Scheme website www.bspensions.com.
- The Trustee was updated on recent progress in evaluating potential de-risking options for the Scheme

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 of the Scheme’s funding position relative to expectations. An increase in the market value of Scheme assets combined with a reduction in the expected future returns from credit during the quarter meant that whilst the funding position on a best estimate basis had improved, it had deteriorated slightly when compared to the cost of securing benefits with an insurer
- The Trustee noted the high-level annual risk assessment and agreed that the existing risk management policy should be reviewed to better take account of actions during the year to reduce risk
- Although the BSPS is intended to meet its liabilities on a self-sufficiency / low risk basis there is still a regulatory requirement on the Trustee to assess the strength of the Company covenant (i.e. the sponsors financial position, prospects and willingness to continue to support the Scheme) at the time of each actuarial valuation and to monitor developments in the covenant during the inter-valuation period. This recognises the importance of the Scheme having a solvent sponsor. The Trustee’s independent expert advisers, Penfida Ltd, presented an updated covenant assessment report on the financial position and performance of the Scheme’s sponsor

Investment Strategy

- The investment strategy for the Scheme is set out in the Statement of Investment Principles (**SIP**). It is expected to bring the Scheme to full funding on a buyout basis in due course
- The Trustee noted that agreement had been reached with Tata Steel UK Limited on changes to the Scheme’s investment powers which will help mitigate the interest rate risks faced by the Scheme
- With effect from October 2020, pension schemes like the BSPS are required to publish their SIP in full on their website. The Trustee considered a draft refreshed SIP which was being prepared in accordance with new regulatory requirements
- The Trustee intends to carry out a comprehensive review of the Scheme’s investment strategy. The Scheme’s investment consultants set out possible areas of focus over the next 12 months
- Proposed changes to the Retail Prices Index could have an adverse impact on the Scheme’s assets and funding position. The Trustee noted a response had been submitted to the Government consultation on this matter

Actuarial Update

- The Scheme actuary advised that, in his view, no changes beyond the automatic adjustments by reference to current market conditions were required to the basis of the Scheme’s transfer value factors at this time. The Trustee will keep the matter under regular review
- An update was given on the 2020 Annual Funding Update. The results will be communicated to Scheme members via the next newsletter towards the end of the year

Chief Investment Officer's Report

- The Chief Investment Officer, with support from the Fund's Head of Risk, presented a new format report which included a detailed update on general investment matters highlighting developments since the last meeting
- The Fund benchmarks the performance of its assets against movements in Scheme liabilities. The CIO reported performance against appropriate benchmarks for the period to 30 June 2020
- The value of Scheme assets was £11.138 billion as at 30 June 2020
- Certification in respect of recent property valuation summaries, provided by the Scheme's external valuers, was confirmed to the board and the relevant valuations were approved

Governance

- Trustee directors are appointed for a fixed term not exceeding three years. Trustee directors are required to retire in rotation and may be eligible for reappointment
- Shaun Corten's term of appointment as a member nominated director (**MND**) is due to expire on 31 March 2021
- Any deferred member or former employee pensioner can nominate themselves for consideration. Shaun has indicated his intention to stand for reappointment
- The Trustee board noted the procedures for the nomination and selection of MNDs and approved the composition of the MND Selection Panel
- Details of the MND nomination selection processes will be set out in the Scheme newsletter towards the end of the year

Audit and Risk Committee Update

- The Audit and Risk Committee (**ARC**) oversees 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 August
- The ARC had met with the Scheme auditors to consider the outcomes of the statutory audit. It was reported that the Scheme had received an unqualified audit report with no material control deficiencies identified and no requirements for a management letter
- The Scheme Annual Report and Accounts for the year ended 31 March 2020 will be added to the Scheme's website during early September

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
- Additionally, trustees are required to set strategic objectives for their investment consultants and to review performance against these objectives
- The Trustee approved proposals for the review of the Scheme's main professional advisers and for the review of the performance of the Scheme's investment consultants against their objectives
- The results of both reviews will be reported to the November 2020 Trustee board meeting

Technical Update

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

Administration Report

- As at 30 June 2020, Scheme membership was 73,526 comprising 14,564 deferred pensioners and 58,962 members whose benefits were currently in payment
- The Trustee noted decisions made in four cases by Scheme Officers under stage 1 of the Scheme's internal Dispute Resolution Procedure (**IDRP**), and one further determination made under stage 2 of the IDRP by the Determinations and Disputes Panel
- Scheme Officers have carried out further testing of member records to ensure that data held is compliant with recommendations set out by the Pensions Regulator. Overall, the quality of the relevant data was found to be robust. Work is ongoing on the Scheme's data cleanse exercise to support the key objectives with regard to GMP recalculation and equalization, Barber rectification and facilitating any future exercise to secure liabilities with an insurer
- The Trustee board considered administration service standards during the period 1 April to 30 June 2020. One complaint had been received under the Scheme's service standard complaints procedure and an appropriate response issued by Scheme Officers

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the next scheduled meeting as being 24 November 2020, 25 February 2021, 26 May 2021 and 26 August 2021
- Due to the ongoing Covid-19 restrictions, arrangements for future meetings are subject to review

AOB

- The Trustee recognised the contribution of Denise Robertson Lolic during her 42 years' service in the Glasgow Pensions Office and wished her a happy retirement