

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

The November 2020 meeting of the Trustee board was held remotely in line with current Government restrictions on travel and face-to-face meetings. Prior to the meeting the Trustee held a “Strategy Day” where it considered in detail matters relating to the Scheme’s investment strategy and various possible risk management options.

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
- The Trustee considered an update to its Risk Management Policy reflecting the wish to better align how risks are monitored and mitigated with the Scheme’s objective of achieving full funding on a buyout basis
- Although the BSPS is intended to meet its liabilities on a self-sufficiency / low risk basis without further contributions being needed, there is still a regulatory requirement on the Trustee to assess the strength of the Company covenant (i.e. the sponsor’s 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

Tata Steel Update

- The Trustee and its advisers received a helpful and balanced update from the TSE Chief Financial Officer on the most recent financial performance of Tata Steel UK
- The update included information on the process to separate Tata Steel Netherlands and Tata Steel UK in preparation for the potential sale of Tata Steel Netherlands to SSAB

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, with appropriate input from the sponsor, Tata Steel UK, is undertaking a comprehensive review of the Scheme’s investment strategy
- Proposed changes to the Retail Prices Index will 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. Further information can be found in the November 2020 News Brief newsletter. (*The Government’s response to the consultation was issued on 25 November and implications for the Scheme will be considered by the Trustee in due course.*)

Chief Investment Officer’s Report

- The Chief Investment Officer presented 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 total investment return for the quarter to 30 September 2020 was -0.4% compared with the benchmark return of -1.2%
- The value of Scheme assets was £10.967 billion as at 30 September 2020
- The Trustee received a detailed presentation on the Scheme’s bond portfolio
- 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

Scheme Governing Documentation

- The Board was updated on progress towards consolidating the Scheme’s governing documentation

Technical Update

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

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
- Catherine Claydon's current term of appointment as an Independent Trustee Director (*ITD*) is due to expire on 31 December 2020. Ms Claydon has confirmed that she is willing to serve for a further term and the Trustee Board agreed that she be reappointed
- The Trustee reflected on the demand for high quality ITDs and agreed a formal selection and appointment process for the future appointment of ITDs
- Shaun Corten's term of appointment as a member nominated director (*MND*) is due to expire on 31 March 2021. Mr Corten has indicated his intention to stand for reappointment
- Deferred member or former employee pensioners were invited in the Scheme's News Brief newsletter to nominate themselves for consideration
- Interviews of shortlisted candidates will take place during February 2021 following which the MND Panel will make the necessary appointment to the full Trustee board together with creating a reserve list of suitable candidates for filling any vacancies before the next nomination process is carried out

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 November
- A number of aspects of the Scheme's governance regime had been reviewed and updated by the ARC and their adoption recommended to the Trustee. The Trustee approved revisions to the Scheme's Conflicts of Interest Protocol, Risk Register, and Privacy Policy
- The ARC had reviewed the Scheme auditors, in line with the reviews of the other key professional advisers, and recommended to the board that KPMG be reappointed to conduct the 2021 statutory audit

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 considered the results of a review of the Scheme's main professional advisers and a review of the performance of the Scheme's investment consultants against their strategic objectives
- Trustee directors are generally satisfied with the standards of service provided and the Scheme advisers were reappointed accordingly
- The Trustee reviewed the high-level strategic objectives for their investment consultants and approved revisions to the objectives and a framework for their future review

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
- An update was given on the 2020 Annual Funding Update the results of which had been communicated to Scheme members via the Scheme's News Brief newsletter
- The Trustee was briefed on the recent draft determination issued by the PPF and the implications for the Scheme's PPF levy payable in 2021

Trustee Business Plan

- The Trustee board noted a draft Business Plan setting out key actions and priorities of the Scheme in governance, administration, investment, funding and communication covering the period 1 January 2021 to 31 March 2022

Administration Report

- As at 30 September 2020, Scheme membership was 72,918 comprising 14,343 deferred pensioners and 58,575 members whose benefits were currently in payment
- The Trustee noted one decision made under stage 2 of the Scheme's Internal Dispute Resolution Procedure (*IDRP*), and one determination made by the Determinations and Disputes Panel
- The Trustee was updated on recent interactions with The Pensions Ombudsman including

- confirmation that two complaints brought in 2018 had not been upheld
- Scheme Officers were exploring the introduction of online functionality which would enable Scheme members to be provided with access to personalised information and the opportunity to update certain data held by the Pensions Office
 - The Trustee was briefed on how new technology, including the use of biometrics and movement recognition technology, could enable Scheme members to authenticate their identity without the need to exchange paper certificates. This technology, which was becoming increasingly commonplace elsewhere, should allow more efficient interactions between members and the Glasgow Pension Office and could greatly assist the Scheme to identify potential attempts to fraudulently claim Scheme benefits. Although the technology is expected to provide efficiency benefits for the Scheme and an enhanced experience for members, suitable alternative mechanisms would remain available as a backup where necessary
 - “Confirmation of Payee” is a new layer of security being introduced by UK banks to give recipients and payers greater assurance that payments are going to the right place. The process should help avoid making accidental, misdirected payments to the wrong account holder, as well as providing another level of protection in the fight against fraud and scams. Confirmation of Payee works by matching a payee’s name to the one on their account and Scheme Officers outlined measures that were being taken to ensure that the Scheme would have the information required in connection with members bank accounts
 - Pension payment dates for 2021/22 were confirmed. Details can be found on the Scheme website
 - The Trustee considered administration service standards during the period 1 July to 30 September 2020. No complaints had been received under the Scheme’s service standard complaints procedure
 - The Trustee noted the Scheme’s participation in the 2020/21 National Fraud Initiative. This exercise will help Scheme Officers identify cases where overpayments might have arisen where the deaths of pensioners had not been notified to the Pensions Office and in identifying potential beneficiaries following the deaths of Deferred Pensioners in similar circumstances

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the next scheduled meeting as being 25 February 2021, 26 May 2021, 26 August 2021, 25 November 2021, and 24 February 2022
- Due to the ongoing Covid-19 restrictions, arrangements for future meetings are subject to review