

## **British Steel Pension Scheme Information Debriefing following February 2021 Trustee Board Meeting:**

The February 2021 meeting of the Trustee board was held remotely in line with current Government restrictions on travel and face-to-face meetings.

### **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, which had been updated to better align how risks are monitored and mitigated with the Scheme’s objective of achieving full funding on a buyout basis, was considered at the meeting. There were no material changes in the risks of the Scheme’s funding position relative to expectations

### **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 reviewed the framework to hedge interest rate and inflation risk following the decision to alter the primary focus of the IRM framework from a best estimate to a buyout measure of liabilities, and approved the actions necessary to rebalance the portfolio
- As part of the comprehensive investment strategy review being undertaken with appropriate input from the sponsor, Tata Steel UK, actions were being taken to optimise the Scheme’s credit portfolio. In support of this exercise the Trustee considered the changes required to the Scheme’s governing documentation
- The Trustee gave further consideration to the development of a “*dynamic risk management framework*” which would set out when actions could be taken to reduce investment risk and lock in gains as the Scheme’s funding position improved on the path towards reaching full funding on the agreed basis
- The board agreed the investment benchmarks which will apply for the year commencing 1 April 2021
- The board was briefed on the forthcoming requirements on climate-related risks and considered what actions the Scheme may best take to meet those requirements within the relevant deadlines. The board agreed, for reasons of operational efficiency, that these matters be overseen by the Audit and Risk Committee (*ARC*)

### **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 31 December 2020 was 2.6% compared with the benchmark return of 1.1%
- The value of Scheme assets was £11.111 billion as at 31 December 2020
- The Trustee received detailed presentations on the Scheme’s bond and alternative investment portfolios, and an update on transactions within the growth property 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

### **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 board on recent activities of the ARC

### **Report of the Remuneration Committee**

- The Chairman briefed the Trustee on the work of the Remuneration Committee

### **Governance**

- 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 and the board approved a draft action plan to address those areas
- Shaun Corten’s term of appointment as a member nominated director (**MND**) is due to expire on 31 March 2021 and deferred member or former employee pensioners had been invited to nominate themselves for consideration
- Interviews had been scheduled to take place during February 2021 however it was felt that lockdown restrictions which meant face to face meetings would not be possible could place shortlisted candidates not known to the Selection Panel at a significant disadvantage
- Recognising that the position was unlikely to change before 31 March 2021 the board agreed to postpone the selection process and extend Mr Corten’s term of appointment for a further twelve months. A selection process for both MND vacancies will be run in 2022
- The board also agreed to consider proposals on how the process for the nomination and selection of MNDs might be improved

### **Actuarial Update**

- The Scheme Actuary presented a high-level introductory report setting out trustee considerations when preparing for the 2021 valuation, including the likely impact on the Scheme’s funding position arising from the outcome of the government’s recent RPI/CPI consultation
- As a result of the proposed changes to RPI (see above), the Trustee approved changes to the basis on which Cash Equivalent Transfer Values (**CETVs**) are calculated and noted arrangements to update the Profund pension administration system. The regular, comprehensive, review of CETV factors is due following conclusion of the 2021 Valuation
- The Trustee was updated on steps being taken to address differences between Guaranteed Minimum Pension payable records held by HM Revenue & Customs and those held by the Old BSPS

### **Technical Update**

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

### **Administration Report**

- As at 31 December 2020, Scheme membership was 72,340 comprising 14,165 deferred pensioners and 58,175 members whose benefits were currently in payment
- The Trustee noted two decisions made under stage 2 of the Scheme’s Internal Dispute Resolution Procedure (**IDRP**)
- The Trustee was updated on recent interactions with The Pensions Ombudsman including confirmation that four individual complaints brought in conjunction with lead cases previously determined by the Ombudsman, had not been upheld
- Scheme Officers gave an update on 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. Further information will be provided to members in the next Scheme Newsletter
- As part of the processes in place to ensure that benefits are only paid to the correct beneficiaries, the Trustee board received an update on the Scheme’s participation in the 2020/21 National Fraud Initiative exercise
- The Trustee considered administration service standards during the period 1 October to 31 December 2020. No complaints had been received under the Scheme’s service standard complaints procedure

### **Dates and Locations of Scheduled Meetings**

- The Trustee board noted the dates for the next scheduled meetings as being 26 May 2021, 26 August 2021, 25 November 2021, and 24 February 2022
- Due to the ongoing Covid-19 restrictions, arrangements for future meetings were being kept under review
- The Trustee requested that Scheme Officers look at how technology might allow wider engagement with Scheme members than was currently possible at the face-to-face Annual Consultative Meeting