

British Steel Pension Scheme Information Debriefing following August 2021 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 technical actuarial, investment and risk management material

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

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 was updated on recent progress in evaluating potential de-risking options for the Scheme
- The Trustee progressed 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
- As part of the investment strategy review being undertaken with appropriate input from the sponsor, Tata Steel UK, the Trustee progressed actions which might increase the overall expected return from the Scheme’s assets, at an acceptable level of risk, with the objective of reducing the expected timeframe to reaching full funding

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 performance against appropriate benchmarks over the quarter to 30 June 2021
- The value of Scheme assets was £10.499 billion as at 30 June 2021
- The Trustee received a detailed presentation on the Scheme’s Growth property and Global duration portfolios
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

Actuarial Update

- The next full actuarial valuation of the Scheme is due as at 31 March 2021. The results are expected to be finalised in early 2022
- The Scheme Actuary presented a report setting out proposed demographic assumptions for the 2021 valuation
- The proposed valuation assumptions (financial and demographic) are now subject to consultation with the Company
- Under the Scheme’s governing documentation, restoration payments may be due to members and dependants who have some (or all) pre-6 April 1997 pension in payment on 31 March 2021
- Whether or not a restoration payment is due will not be known with certainty until after the 2021 valuation is completed; however, the Scheme Actuary has indicated that the conditions for a modest payment to eligible members are likely to have been met
- The Scheme Actuary confirmed that his initial calculations should now be shared with the Company for verification.

Technical Update

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

Trusteeship

- The Pensions Act 2004 requires pension schemes to have a process where at least one third of trustees are nominated by all active members and pensioner members, or by organisations that adequately represent them. The existing arrangements for the nomination and selection of Member Nominated Trustee Directors (**MNDs**) have been in force since their approval by the Trustee in August 2018
- In 2021, the Trustee had determined to postpone the 2021 MND selection process, in light of the restrictions arising from the pandemic, and to extend Shaun Corten's appointment until 31 March 2022 at which time a selection process would be run for both MND vacancies
- The Trustee reviewed the terms on which MNDs are appointed and agreed to introduce a common expiry date and a maximum of two consecutive terms for future appointments. The term of appointment for all Trustee directors remains three years
- Candidates from the 2021 exercise will automatically be carried forward to the March 2022 exercise and the November 2021 newsletter will invite other eligible candidates with an interest in the role of MND to nominate themselves.
- The Trustee board agreed the criteria for the shortlisting of nominees and the creation of the MND Panel to interview nominees thereafter
- The board was updated on industry standards in relation to the formal accreditation of professional trustees
- The Trustee reviewed and approved revisions to the Terms of Reference applying to its various sub-committees and panels

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 July
- 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 Financial Statements for the year ended 31 March 2021 will be added to the Scheme's website during early September

Remuneration Committee Update

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

Data Working Group Update

- The Data Working Group (**DWG**) oversees issues on behalf of the board relating to the equalisation of Scheme benefits and the reconciliation and rectification of Guaranteed Minimum Pensions (**GMPs**) and benefit analyses arising from de-risking or other activities)
- The board was briefed on the outcomes of the DWG's most recent meeting

Administration Report

- As at 30 June 2021, Scheme membership was 70,964 comprising 13,724 deferred pensioners and 57,240 members whose benefits were currently in payment
- The Trustee was updated on recent interactions with The Pensions Ombudsman including confirmation that a further 12 individual complaints brought in conjunction with cases previously determined by the Ombudsman, had not been upheld
- Scheme Officers carry out regular 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.
- The Trustee noted progress to date on the Member Portal on the Scheme's website and noted further developments to be rolled out to members during phase 2 of the project, early in 2022
- The Trustee considered administration service standards during the period 1 April to 30 June 2021. No complaints had been received under the Scheme's service standard complaints procedure
- The Trustee noted the potential benefits of merging the Scheme's two Profund pensions administration platforms into one as set out by Scheme Officers
- The Trustee board noted that legislation currently going through Parliament will increase the minimum pension age from 55 to 57. Once the legislation is finalised, further information, including details of any protections for existing rights, will be included in the Scheme newsletter

Scheme Governing Documentation

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

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the next scheduled meetings as being 25 November 2021, 24 February 2022, 26 May 2022, and 25 August 2022
- No Consultative Meeting will take place during 2021 and instead, to allow greater participation, consideration is being given to an on-line meeting in early 2022 when the results of the Actuarial Valuation and possibility of restoration is known. Further information will be included in the Autumn 2021 newsletter