

## **British Steel Pension Scheme Information Debriefing following February 2022 Trustee Board Meeting:**

### **Chairman's Update**

- The Trustee has entered into a buy-in policy under which around 5% of liabilities are now insured with Legal & General (L&G). This does not affect the benefit entitlements or security of benefits of any individual member or group of members, with the buy-in policy to be held as a long-term investment of the Scheme
- Entering into the policy means that L&G is now a data controller in relation to the Scheme and its privacy statement has been added to the Scheme's website ([www.bspspensions.com](http://www.bspspensions.com) )

### **Investment Operations**

- The Trustee was briefed on the recent investment activity relating to the Global Listed Infrastructure Equity portfolio which is now managed by Legal & General Investment Management,
- 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 31 December 2021
- The value of Scheme assets was £10.692 billion as at 31 December 2021
- The Trustee received an update on activity in respect of the Scheme's property portfolios
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

### **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 approved updates to target for the metrics by which the Scheme manages its interest rate and inflation risk
- The Scheme's Dynamic De-Risking Framework sets out when actions can be taken to reduce investment risk and lock in gains as the Scheme's funding position improves on the path towards reaching full funding on the agreed basis. The Trustee approved further actions under the Framework

### **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 dashboard was considered at the meeting. There were no material changes in the risks of the Scheme's funding position relative to expectations
- The IRM Framework is reviewed following each actuarial valuation. The Trustee considered and approved a number of changes reflecting how its approach to risk management had evolved. Additional risks, including climate risk, were included and the Framework updated to recognise changes in the management of certain asset classes
- The Trustee also considered the results of its Annual Risk Assessment, which assesses in more detail how risk has been managed in accordance with the Framework. This acknowledged the key risk management actions taken by the Trustee over the last 12 months, and highlighted the areas where further work is currently being undertaken

### **Restoration Working Group Update**

- The Trustee had previously approved the creation of a Working Group to explore the options for making restoration payments to eligible members following completion of the 2021 actuarial valuation.
- The Working Group presented its recommendation to the Trustee board
- The Trustee heard legal advice that the Working party's recommendations constituted a lawful, fair, and workable proposal and agreed to accept the recommendations
- Information on the restoration exercise will be included in the News Brief newsletter which will be issued to members at the end of March

### Actuarial Update

- An update was given on the completion of the Scheme's actuarial valuation as at 31 March 2021. The results will be communicated to Scheme members via the Scheme's newsletter and a copy of the Actuary's report added to the Scheme website in due course
- To protect the Scheme against unexpected improvements in life expectancy, pensions coming into payment are subject to a "Longevity Adjustment Factor" (**LAF**) in respect of service from April 2012. The LAF is reviewed following each triennial valuation. The Actuary confirmed that the LAF should remain unchanged at 1.0.
- Following completion of the actuarial Valuation it was appropriate for the Scheme's actuarial factors to be reviewed to take account of changes affecting the demographic and economic assumptions used to determine those factors. Specifically, the Company is responsible for reviewing the Scheme's cash commutation factors as part of the valuation process but must consult with the Trustee. On this occasion the Company has not proposed that any changes are made. After consideration of the views of the Scheme Actuary, the Trustee acknowledged that no amendments were required to the cash commutation factors. The Scheme Actuary indicated that revisions were appropriate for certain other Scheme factors, and Scheme Officers have begun work to update Scheme administration systems and processes accordingly.
- A key requirement in setting up the new Scheme was that members should continue to be eligible for protection by the Pension Protection Fund (**PPF**). The Trustee noted actions aimed at reducing the Scheme's annual PPF levy

### 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

### 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 on the outcomes of its meeting held in November
- The ARC has been considering the Scheme's Environmental, Social and Governance (**ESG**) obligations over the course of the year and presented a proposed Carbon Journey Plan (**CJP**) as a means of monitoring and managing the carbon exposure of the Scheme's assets over time. The Trustee agreed to adopt the CJP, progress against which will be reported in future Scheme Annual Reports
- The Trustee was updated on the Cyber Security Policy, recently introduced at the Glasgow Pensions Office, and briefed on those sections of the policy which applied directly to them

### Trusteeship

- The Trustee noted that Shaun Corten and Barrie Evans had been reappointed as Member Nominated Trustee Directors for a further three-year term commencing 1 April 2022. The Chairman expressed the Trustee's thanks to those members who had put themselves forward for consideration
- 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. An action plan to address those issues was agreed by board

### Performance Management Arrangements

- Updated strategic objectives for the Scheme's investment consultants were considered and adopted by the Trustee

### 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 April 2022 to 31 March 2023

**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**

- The Trustee board was briefed on a range of operational, administration matters
- The Trustee approved revisions to the Payment Regulation Authorisations
- As at 31 December 2021, Scheme membership was 69,816 comprising 13,365 deferred pensioners and 56,451 members whose benefits were currently in payment
- The Trustee considered the new, extended range of administration service standards during the period 1 October to 31 December 2021. 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 25/26 May 2022, 25 August 2022, 23/24 November 2022, and 2 February 2023
- The online member event has been scheduled for 27 April 2022, with registration details being obtained via the Scheme website and the Spring 2022 edition of News Brief. The Trustee reviewed an outline of the event