

News Brief

FOR MEMBERS OF THE BRITISH STEEL PENSION SCHEME (BSPS)



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Message from your Trustee Chairman



Welcome to the Spring 2022 edition of *News Brief* which includes a number of articles which I hope will be of interest to many of you.

The Trustee is required to carry out a full actuarial valuation at least every three years. In this edition, we detail the results of the Scheme's second actuarial valuation as at 31 March 2021. Since the first full triennial valuation, the Scheme's funding position has fallen slightly. This outcome mainly arises from the impact of the global pandemic on markets and the Government announcement regarding changes to the way inflation will be calculated in future.

Despite these headwinds, which have affected pension schemes generally, the BSPS remains well positioned to pay benefits securely on a low-risk basis. Further information on the Scheme's financial health can be found on pages 6 to 8.

If part of your Scheme pension currently in payment was earned from service before April 1997, you will have a special interest in the outcome of the 2021 valuation. The agreement to set up the new Scheme included provisions for a potential additional payment for this category of members if the 2021 valuation resulted in an 'unexpected surplus'. I am pleased to say that this condition has been met. Details about the one-off payment are on pages 4 and 5.

Over time (as the Scheme matures), the BSPS funding level is expected to improve further and ultimately reach 103% on the 'buy-out' basis. If and when that happens, benefits are expected to be secured with one or more insurance companies, and the 3% surplus will be used to increase members' benefits in accordance with the provisions agreed when the new BSPS was established. Achieving the funding level to trigger this additional payment to members and secure their benefits remains the key priority for the Trustee.

Another Trustee priority is to ensure that benefits are paid in full and on time, not just today but into the future. This means that the Trustee needs to manage the risks facing the Scheme and do whatever it can to protect members. With this in mind, at the end of 2021, the Trustee entered into a policy with Legal & General (known as a buy-in) under which around 5% of liabilities were insured. This does not affect the benefit entitlements or security of benefits of any member. The buy-in policy is held as a long-term investment.

Entering into the buy-in policy means that Legal & General is now a data controller in relation to the Scheme and their privacy statement can be found on the Scheme website, www.bspspensions.com. The Scheme's own privacy statement has also been updated and can be found on the website too.

In our *News Brief* Autumn 2021 newsletter we advised you that the Trustee board was looking to select two Member Nominated Trustee directors (MNDs). Interviews took place during February 2022, following which Shaun Corten and Barrie Evans were reappointed for a further three-year term. My congratulations to both and thanks to those members who took the time to apply for consideration.

We had a positive response from members when we asked last year whether we should hold an online member event. That response encouraged the Trustee to make arrangements for a 'live' event on 27 April 2022.

The event will cover the matters above in more detail. I am particularly looking forward to seeing the questions you would like us to address. See pages 9 and 10 for further information on how to register and ask a question.

Finally, the impact of the investments the Scheme makes on the world around us is rising rapidly up the pensions agenda because of a mix of changing law, regulatory guidance, and growing demand from pension scheme members and other stakeholders. The Trustee has been considering how environmental, social and governance factors might affect the Scheme. I expect to return to this topic in more detail at the online member event and in future editions of *News Brief*.

Best wishes

Keith Greenfield
Chairman of B.S. Pension Fund
Trustee Limited



Restoration

We're making an additional payment to eligible members receiving a pension

When the Scheme was set up in 2018, the Trustee agreed with Tata Steel UK that if the Scheme's financial position at 31 March 2021 was better than expected (based on assumptions made in 2018), an additional one-time lump sum payment could be paid out to certain pensioner members.

The Actuary's valuation of the Scheme at 31 March 2021 (see pages 6 to 8) has shown that the conditions for making this one-time payment were met, and £58 million is to be shared out.

Am I eligible?

Around 50,000 members qualify. You are eligible if you:

- were receiving a pension at both 31 March 2021 (the time of the Scheme valuation) and 31 March 2022, and
- earned some or all of that pension before April 1997.

If eligible, you will receive a letter from the Trustee around June 2022. The letter will include the amount that is expected will be paid to you, for the majority of you as a lump sum (this will be at least £250, before any income tax is deducted) and the letter will also include other useful information.

Why is the payment being made?

You may be aware that, unlike benefits previously provided in the old scheme, the BSPS does not provide inflationary increases on any pension earned before April 1997 (above any Guaranteed Minimum Pension element). The payment is therefore intended to provide some compensation for this, for the period between 2018 and 2021 (the period between the time you transferred to the Scheme and the latest valuation).



How is the £58 million being shared out?

Each eligible member's payment will take into account pension increases that would have been paid between 2018 and 2021, had inflationary increases been provided on pensions earned before April 1997. The amount eligible members will receive will be subject to a minimum payment of £250 (before any income tax is deducted).

When is the payment being made?

The payment is expected to be made in October 2022. This is to give the Pensions Office and the Trustee's advisers time to prepare the calculations required for the approximately 50,000 lump sum payments.

Are there any circumstances where I may qualify for the payment but cannot receive it?

For the vast majority of eligible members there is no reason why they could not accept the one-off lump sum payment. But for some, there are pensions tax reasons that may prevent them from taking a lump sum or where it may not be in their best interests to do so, including



the effect it would have on existing tax protections or their ability to get tax relief on pension contributions in another pension arrangement.

The Pensions Office and the Trustee's advisers are putting together a comprehensive set of communications to support members with considerations like these. It will include details of what can be done instead for members with particular pensions tax positions. Full details will be provided in the June 2022 communication.

I am a member of the Scheme, but not yet receiving my pension. Will I receive a lump sum payment?

Unfortunately not. The agreement only provided for eligible pensioners to receive this payment. This was explained at the time deferred pensioners like you joined the Scheme in 2018.

The good news, however, is that unlike pensioners with benefits in payment, you are currently receiving inflation-linked increases to your deferred pension until you retire. You can read more about the increases that apply at www.bspspensions.com/non-pensioners/increases-before-you-retire/.

You may however become due for an additional payment if and when the Scheme reaches 103% on the 'buy-out' basis and can secure benefits with one or more insurance companies. Achieving the funding level to trigger this increase in Scheme pension for members and secure their benefits remains the key priority for the Trustee.

Spotlight on funding

The Trustee is responsible for ensuring that the Scheme has sufficient funds to pay its liabilities (benefits to members) as they fall due.

A full actuarial valuation must be carried out at least every three years as a detailed financial health check on the Scheme. Interim assessments also take place in the years between valuations. The purpose of this statement is to provide you with a summary of the recent actuarial valuation of the Scheme as at 31 March 2021.

	31 March 2021	31 March 2018
Market value of assets	£10,333m	£11,221m
Total value of accrued liabilities (known as technical provisions)	£9,841m	£10,553m
Surplus (the value of the assets less the value of the liabilities, resulting in a positive amount)	£492m	£668m
Funding level (the outcome of the valuation shown as a percentage)	105.0%	106.3%

What is an actuarial valuation?

The actuarial valuation provides a snapshot of the Scheme's funding position at a set date. It compares the value of the Scheme's assets (the money it has invested to pay benefits) with its liabilities (the value placed on the future benefit entitlements of Scheme members).

Formal valuations are required by law to see whether more contributions are required from the employer.

How do we measure the funding position?

In a defined benefit scheme like the BSPS, each member is promised a pension and money is set aside to pay those pensions as and when they fall due. The Scheme's funding position is the difference between the estimated amount that the Scheme needs to have to pay pensions (the Scheme's liabilities) and the actual money the Scheme holds to pay those pensions (assets).

As at 31 March 2021, on the basis used by the Scheme Actuary, the BSPS held more assets than the value placed on the Scheme's liabilities (known as technical provisions). The Scheme therefore had a surplus on this 'technical provisions' basis.

The values placed on assets and liabilities can change from time to time, meaning that the funding position may go up or down. If the value placed on liabilities is more than the assets a scheme holds, the scheme is said to be in deficit.

A surplus doesn't necessarily mean the Scheme has more money than it needs. For example, life expectancy or the actual returns from assets might be different from the assumptions made in the valuation. It does however show that the Scheme's funding position is healthy at the date of the valuation. As a result, no contributions are required from the Company (Tata Steel UK Limited) at the present time.

This is the second valuation of the new BSPS and although the position has deteriorated slightly since 31 March 2018, this is largely due to factors outside the Trustee's direct control such as the impact of the global pandemic on investment markets and the Government announcement on how RPI inflation will be calculated from 2030 onwards. It has also been identified that members of the BSPS are, on average, living longer than those of the Old Scheme and additionally are more likely to be married (and therefore prospectively eligible for a spouse's pension).

Despite these headwinds, the Scheme remains in a healthy position. Based on the assumptions used for this valuation, the funding level is expected to increase by the time of the next valuation as at 31 March 2024.

How well funded is the Scheme on a buy-out basis?

The Scheme Actuary has estimated how much it would have cost on 31 March 2021 to secure all Scheme benefits with an insurance company (the estimated 'buy-out' cost).

The Scheme Actuary has estimated that the assets of the Scheme would have met 94.5% of the buy-out cost on that date. This has increased from 90.1% as at 31 March 2018, mainly because investment performance relative to estimated insurance pricing has been better than assumed.

The buy-out cost is higher than the technical provisions for a number of reasons. For example, an insurance company is subject to different regulatory and risk capital requirements and will aim to make a profit for its shareholders in return for taking on all the liabilities and risks of the scheme.



Spotlight on funding continued



What would happen if Tata Steel UK Limited were to become insolvent?

In the unlikely event Tata Steel UK Limited were to become insolvent, the Scheme is protected by the Pension Protection Fund (PPF). PPF compensation would not be the same as Scheme benefits. If the Scheme had enough assets, it would buy out benefits with an insurance company greater than PPF compensation.

Further information about the PPF is available at www.ppf.co.uk or by calling the helpline on 0345 600 2541.

Other information

The law requires that we provide you with certain information.

We can confirm that there have not been any payments to Tata Steel UK Limited out of the Scheme other than to reimburse the Company for necessary costs and expenses it has incurred on behalf of the Trustee in the administration of the Scheme.

In certain circumstances, The Pensions Regulator has powers to intervene to make changes to a scheme, give directions on the valuation or impose a schedule of contributions. The Pensions Regulator has not needed to use these powers in relation to the BSPS.

Further information on the valuation can be found on the Scheme website, www.bspspensions.com.

Online member event

Wednesday 27 April 2022 – put the date in your diary

In response to a Scheme communication survey in 2021, over 1,500 members said they would be interested in a free-to-access online member event. The majority identified the 2021 valuation results, restoration payments and managing the risks facing the Scheme as being of key interest to them.

Presentations on these subjects will be included within the Scheme's first-ever online member event. The presenters are individuals closely associated with the running of the Scheme:



Keith Greenfield,
Trustee Chairman



Catherine Claydon,
Independent
Trustee director



Hugh Smart, Chief
Investment Officer



Gareth Oxtoby,
Scheme Actuary

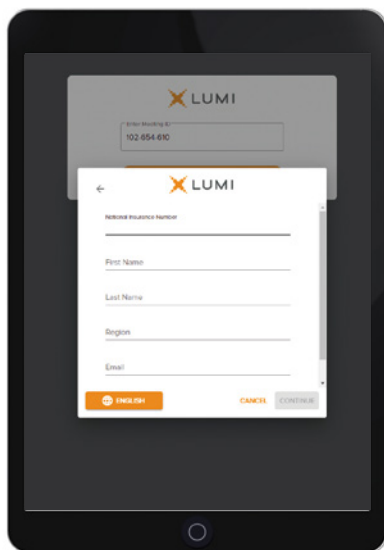
When is it?

The Trustee is making arrangements for an online event to be held on Wednesday 27 April 2022 from 1.00pm through to 2.40pm.

How do I join the event?

All Scheme members are invited to access the event.

Details of how to join the event will be posted on the Scheme website, **www.bspspensions.com**. Our website will direct you to our broadcast providers' platform (operated by Lumi) where you will be asked to provide your details using the following password: 102-654-610.



How do I ask a question?

A 'live' Panel event will address questions provided by members. During the event there will be a facility for you to send questions for the Panel to consider. You can also send your questions in advance, by email (please include your name and National Insurance number), to lee.chadwick@bspensions.com

We can't say that all questions will be answered on the day, but we will look to pick out the most popular questions being asked.

I am interested in viewing the event but not available on 27 April?

Don't worry, the event will be recorded and uploaded to the Scheme website for you to view.



Member Portal - *Updating your details has never been easier*

Did you know that the online Member Portal now allows members in receipt of a pension to quickly and securely:

- Update their contact details, including postal address
- Change bank account details

This can all be done for the first time without having to write or email the Pensions Office direct.

Also, former employee pensioners in the first five years of receiving a Scheme pension can now use the Portal to update or submit a Nomination Form. Your Nomination Form is treated as your latest expression of wish to the Trustee in respect of any lump sum benefits payable to your dependants following your death. (Remember: if you've been in receipt of a pension from the Scheme for more than five years, no lump sum is payable.) There is no need to nominate your spouse or civil partner or dependent children for a pension payable on your death.

The Portal also provides online access to your annual P60 document and pension increase letter issued at the end of March every year.

Monthly pay statements are available on the Portal. If you are registered on the Portal, each month you will receive an email notification letting you know when your payslip is ready to view.

Where to find the Member Portal

If you haven't already registered to use the Portal, you can:



- use this QR Code or
- access the Scheme website, **www.bspspensions.com** and click on the Member Portal button at the top of the homepage.

You'll need your National Insurance number and your Membership number to proceed. You'll find your Membership number printed at the top of your annual pension increase letter and your National Insurance number is on your P60 document.

4,000 members have now registered for the Portal since its launch in 2021.

Further development of the Portal is underway for members not yet in receipt of a pension. Look out for updates within the Scheme website and future newsletters.


Contact details

If you have any questions or concerns about your pension, you can get in touch with the Pensions Office in all the usual ways. When contacting the Pensions Office, please quote your National Insurance number and indicate whether your enquiry relates to membership of the former Corus Engineering Steels Pension Scheme.

Please remember we need your written and signed authority to discuss or release your personal information to a third party.


 **Email**
pension.enquiries@bspspensions.com

 **Website**
www.bspspensions.com

 **Telephone**
UK 0330 440 0844
Non-UK +44 141 274 2244
Our normal hours are 8.45am to
4.45pm Monday to Friday

All our calls are generally recorded for training and monitoring purposes.

The Pensions Office's address details are below.

 **Writing from the UK**
(no need for a stamp)
British Steel Pension Scheme
FREEPOST RUCT-GLGS-HLRU
Glasgow
G2 5RU

Writing from outside the UK
British Steel Pension Scheme
1/2 Dalmore House
310 St. Vincent Street
Glasgow G2 5RU
Scotland, United Kingdom

YOUR FEEDBACK

If you have any comments on this edition of the *News Brief*, or suggestions for future issues, please write to:

Lee Chadwick
Section Head Secretariat
British Steel Pension Scheme
FREEPOST RUCT-GLGS-HLRU
Glasgow G2 5RU

News Brief is available in either Braille or large print formats. If you have used this service before, we will automatically send you a copy in your preferred format after you receive the printed version. To register for this service for the first time, please telephone us and let us know which version you require.

An audio version of the newsletter will be added to the Scheme website, **www.bspspensions.com**. The Scheme website is compatible with Browsealoud, which allows you to have website content read to you. Browsealoud software is free to download.



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