

British Steel Pension Scheme Information Debriefing following May 2022 Trustee Board Meeting:

Matters arising out of the Minutes

- Stan Luczynski, former Group Treasurer, Tata Steel Europe, has been appointed as Company Nominated Trustee Director to fill the vacancy on the Trustee board following the conclusion of Allan Johnston's term of appointment
- The Trustee acknowledged Allan Johnston's significant contribution to the Scheme and its predecessor over the period from his appointment in 1994

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 recent activities of the ARC

Actuarial Update

- 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. The Scheme Actuary presented an update on progress towards creating revised factors in member calculations.
- The Scheme Actuary highlighted some of the key considerations to be taken into account in the 2022 funding update process with a view to the results being notified to members in the Autumn newsletter

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
- In light of the developing relationship with Legal & General (**L&G**), the Trustee's expert external advisers provided a briefing on the latest assessment of the strength of L&G. L&G was considered a suitable counterparty for the Scheme based on its recent financial performance, its current capital position, the regulated nature of the industry in which it operates, and its strong approach to risk management.

Tata Steel UK Update

- The BSPS is intended to meet its liabilities on a self-sufficiency/low risk basis without further contributions being needed. There is however still a regulatory requirement on the Trustee to monitor the strength of the Company covenant. This recognises the importance of the Scheme having a solvent sponsor.
- The Trustee and its covenant advisers received a helpful and balanced update from the TSUK Chief Financial Officer on the performance of Tata Steel UK Ltd for the financial year and the annual plan projections for 2022/23
- Although there remained significant long-term challenges facing Tata Steel UK, the Trustee board welcomed the continued favourable market conditions

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 Trustee board approved the Working Group's recommendation at its February 2022 meeting.
- Information on the restoration exercise was included in the News Brief newsletter issued at the end of March
- Communications advising eligible members of the value of their payment are expected to be issued in mid-June with payments scheduled for October this year
- For most members the payment process will be straightforward, however a telephone helpline service will be available for those requiring assistance

Remuneration Committee Update

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

Technical Update

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

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 recent activities of the DWG

Administration Report

- The Trustee board was briefed on a range of operational and administrative matters
- As at 31 March 2022, Scheme membership was 69,175 comprising 13,211 deferred pensioners and 55,964 members whose benefits were currently in payment
- Following recent, fundamental changes to the regulations applying to transfers from defined benefit pension schemes, Scheme Officers were now obliged to request additional information from transferring members. As drafted, the regulations could lengthen the time taken to process transfers which could be an unwelcome development. Scheme Officers and advisers were monitoring best practice options in order to identify ways to minimise potential delays to future transfer requests
- The Trustee was updated on pensions dashboards, which are intended to enable individuals to access their pensions information on-line, thereby supporting better planning for retirement. The Scheme will be required to input data to the pensions dashboard system and Scheme Officers had held initial discussions with system providers about how this would be achieved. The Scheme is expected to contribute to the dashboard system by September 2023.
- No complaints had been received under the Scheme's service standard complaints procedure

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
- As part of this strategy, the Trustee agreed to transact a second buy-in policy with L&G, under which around 25% of liabilities would be insured (bringing the total insured to just under 30%). The buy-in transactions do not impact the entitlements or security of benefits of any member or group of members and are held as long-term investments of the Scheme.
- The Trustee approved an updated SIP, which would be added to the Scheme website
- The Trustee approved revisions to the Scheme Specific Benchmark which is used to monitor the performance of the Fund and its internal manager
- The Trustee reviewed the basis for monitoring externally managed investment mandates
- The Trustee approved updates to the metrics by which the Scheme manages its interest rate and inflation risk

Investment Operations

- 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 and noted that over the quarter to 31 March 2022, the total Fund had outperformed its benchmark.
- The value of Scheme assets was £9.929 billion as at 31 March 2022
- The Trustee received a detailed presentation on the performance of, and prospects for, the Scheme's property portfolio
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved

Trusteeship

- The Trustee received confirmation that the necessary steps had been effected for Mr Luczynski to carry out the duties of a Trustee director
- The Trustee considered the impact of recent changes to its composition on the membership of its various sub-committees
- Regular and appropriate training takes place to develop and refresh Trustee directors' knowledge and understanding. The Trustee was updated on the conclusions from its recently completed training needs analysis and briefed on the Scheme training programme for 2022

Scheme Governing Documentation

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

Online Member Event

- The Trustee received feedback following the recent on-line member event, which was largely positive, and considered member comments
- To date, almost 500 members had either attended the event live or viewed it on-line

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the next scheduled meetings as being 25 August 2022, 23/24 November 2022, 2 February 2023, and 23 May 2023