

News Brief

For members of the British Steel Pension Scheme (BSPS)



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Message from your Trustee Chairman

I am delighted to welcome Stan Luczynski onto the Trustee board as our new Company Nominated Trustee director. Stan was a former Group Treasurer with Tata Steel Europe.

Welcome to the Autumn 2022 edition of News Brief which includes several articles which I hope will be of interest to you.

When the Scheme was set up in 2018 it was agreed that, if the Scheme's financial position as at 31 March 2021 was better than expected, an additional one-time lump sum payment could be paid out to certain pensioner members where all or part of their Scheme pension then in payment was earned from service before April 1997. It is pleasing to note that one-off payments were successfully made last month to almost 48,000 eligible members.

The Trustee has now received the Scheme Actuary's annual funding update as at 31 March 2022, the results of which are summarised in this News Brief, see pages 7 to 9. Since the last full valuation as at 31 March 2021, I am pleased to report an improvement in the Scheme's funding position.

The Trustee's key strategic priority remains to reach a position where it is possible to secure all members' benefits with one or more insurance companies. Additionally, once a funding level of 103% is achieved on a 'buy-out' or solvency basis, in accordance with the provisions agreed when the Scheme was set up, the surplus over 100% will be used to increase members' benefits. The Trustee regularly monitors its funding position against insurer pricing and has noted that the funding level has improved against this measure. I previously advised you that the Trustee entered into a buy-in policy towards the end of 2021 with Legal & General under which around 5% of Scheme liabilities were insured. A further buy-in transaction insuring around 25% of liabilities was completed in May 2022. Members' benefit entitlements are unaffected by these purchases. As the Scheme's funding position improves relative to insurer pricing it is likely further tranches of liabilities will be insured.

The Trustee has signed an Agreement that enables Legal & General Investment Management to manage the combined assets of the Scheme, taking over the role from the Scheme's in-house manager. The transition is scheduled to be completed in the coming weeks. The London Investment Office, led by Hugh Smart, has served the Scheme very well over many years; however, with assets under management rapidly decreasing following recent buy-in transactions, it was an appropriate time to make this move. We will mark the significant contribution of the London Office to the Scheme in a future News Brief once the transition has been successfully completed.

Allan Johnston's term of appointment as a Company Nominated Trustee Director expired on 31 March 2022. Allan had been involved with the Scheme and its predecessors in a number of different roles since 1994. You will find an article marking Allan's significant contribution to the Scheme and its members on page 6. I am delighted to welcome Stan Luczynski onto the Trustee board as our new Company Nominated Trustee Director. Stan was a former Group Treasurer with Tata Steel Europe.

You will receive an invitation with this newsletter to participate in the Scheme's Member Communication Survey. Participation in the survey provides members with an opportunity to share their views on communications with the Trustee board. I would urge you to consider completing the survey and to take the opportunity to highlight any suggestions you have to improve how we communicate with members.

Best wishes

Keith Greenfield

Chairman of B.S. Pension Fund Trustee Limited

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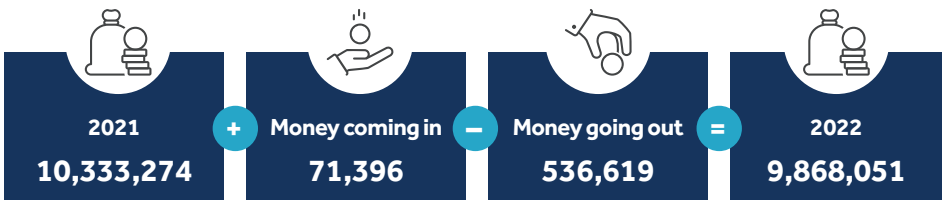
Summary of 2022 Annual Report & Financial Statements

The Scheme provides benefits for former members of the Old British Steel Pension Scheme who elected to transfer into the Scheme on 28 March 2018 under the Time to Choose exercise.

Here's a summary of the Scheme's Annual Report for 2021/22.

	To 31 March 2022 £'000
Income	
Return on investments	71,396
Total	71,396
Expenditure	
Benefits paid	512,733
Transfers-out	12,354
Administration expenses	9,341
Levies	2,191
Total	536,619
Net increase (decrease)	(465,223)

Value of the Fund (£'000)

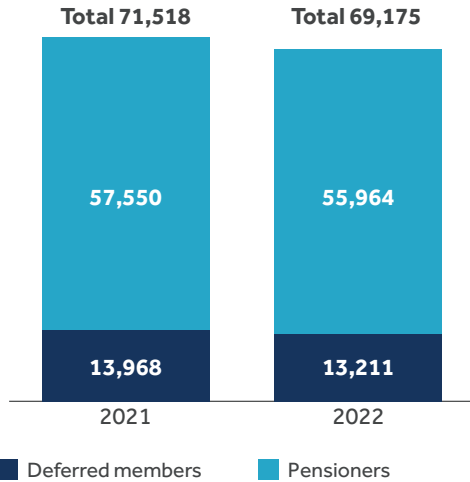




Investment strategy

The Scheme's investment strategy is set by the Trustee after taking appropriate advice. This strategy is set out in a Statement of Investment Principles (SIP), which was last updated in September 2022. You can view a copy of the SIP on the Scheme website, www.bspspensions.com.

Membership at 31 March 2022



READ

The Scheme's 2022 Annual Report has been published. If you want to see the full version, please visit the Scheme website, www.bspspensions.com

Membership age breakdown

Age	Under 50	50 – 54	55 – 59	60 – 64	65 – 69	70 & over
Pensioners	143	313	1,538	5,315	8,485	40,170
Deferred members	5,330	2,989	2,748	1,938	165	41

Number of members over age 100

168



Age of oldest Scheme member

105



Age of youngest Scheme member

25





Allan Johnston

Following the conclusion of Allan Johnston's term of appointment as a Company Nominated Trustee Director, the Trustee wishes to record its grateful thanks to Allan for his very significant contribution to the British Steel Pension Scheme and its members.

Allan was appointed as a Trustee Director of the Old British Steel Pension Scheme in 1994 and assumed the role of Chairman in 2007 successfully leading the Scheme through the 'Time to Choose' exercise. Allan was the new Scheme's first Chairman before handing the role over to Keith Greenfield in 2019.

Allan's foresight and leadership over the period of his Chairmanship were critical factors in the Scheme having the opportunity to exist in its current form.

The Scheme Actuary hosted an evening to celebrate Allan's achievements on 25 May 2022. Allan was joined by Trustee Directors past and present together with Scheme Officers and Advisers who had worked with Allan over his long association with the Scheme.

After starting his career in Scotland, Allan served in a range of senior appointments in British Steel in London and South Wales. Following the merger in 1999 between British Steel and Hoogovens to form Corus, Allan was appointed Executive Director of Personnel, a post he remained in until his retirement from the company in 2003. Allan subsequently joined Avon and Somerset Constabulary as its HR Director serving from 2005 to 2009. During this time, Allan used the significant pensions experience he had built up in the British Steel Pension Scheme to become the spokesperson on pensions for the Association of Chief Police Officers.

“Allan continues his commitment to the steel industry and its communities as chair of UK Steel Enterprise.”

Away from work and pension commitments, Allan and his wife Liz have three children and are the proud grandparents of five grandchildren. Allan is a keen follower of Motherwell Football Club and enjoys cricket, squash and golf. Allan enjoys the works of Scotland's Bard, Robert Burns, and regularly returns 'home' to Scotland for holidays with his family.



Summary Funding Statement

The Trustee is required to carry out a full actuarial valuation at least every three years, with an annual funding update in those years in between. The most recent actuarial valuation of the Scheme's financial position was carried out as at 31 March 2021.

The purpose of this statement is to provide you with a summary of the Scheme Actuary's report on developments affecting the Scheme's funding position since the previous valuation.

If you want to know more, the Actuary's full 2021 valuation report is on the Scheme website, www.bspspensions.com.

How has the funding position changed since the last full valuation?

See how the numbers compare in the table below.

	31 March 2022	31 March 2021
Assets	£9,868m	£10,333m
Liabilities	£9,067m	£9,841m
Surplus	£801m	£492m
Funding level	108.8%	105.0%

Note: for these purposes, the Actuary's assessment of the Scheme's funding position is calculated on what is known as the 'technical provisions' basis rather than a 'best estimate' basis, the difference being an extra layer of prudence in assumptions in the former.



THE SCHEME

The Scheme's surplus improved over the year to 31 March 2022. This provides a buffer against the risks facing the Scheme.

“The main factor contributing to the improvement in the funding position was that the assets outperformed the liabilities.”

Summary Funding Statement

What happened over the year to 31 March 2022?

The main factor contributing to the improvement in the funding position was that the assets outperformed the liabilities. This is because changes in financial market conditions resulted in higher expected future returns from Scheme assets, which exceeded the impact of raised inflationary expectations on Scheme benefits.

As the Scheme becomes increasingly mature, the funding level should increase further.

Treatment of insured buy-ins

Since the Scheme's previous triennial valuation as at 31 March 2021 the Scheme has completed two buy-in transactions with Legal & General. The first of these was completed in November 2021 and covered the benefits of around 5% of the Scheme's liabilities. The second, larger transaction completed in May 2022 covers around 25% of Scheme liabilities (giving around 30% in total).

These buy-ins have no impact on member benefits and are simply investments of the Scheme which perfectly match the liabilities for a proportion of Scheme members.

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 at least every three years to see whether contributions are required from the employer, with interim annual reports from the Scheme Actuary in those years where a full valuation is not carried out. The Actuary's interim 2022 report shows that the Scheme's funding position remains healthy. Had this been a formal valuation, no contributions would have been required from the Scheme sponsor (Tata Steel UK Limited).

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 as and when they fall due (the assets).

The values placed on assets and liabilities can change from time to time, meaning that the funding position may go up or down. A surplus doesn't necessarily mean the Scheme has more money than it needs. For example, the surplus can change as the actual returns from assets might be different from the assumptions made in the valuation, and members may live longer than the assumptions made in the valuation.

Type of valuation

Scheme funding position as at 31 March 2021

Buy-out

94.5%

This is the most prudent valuation and is an estimate of the cost of insuring all Scheme liabilities in full. This uses an estimate of the insurer's more prudent assumptions and also includes a margin for insurers' costs/profits and so is likely to result in the lowest funding measure.

Technical provisions/Ongoing

105.0%

This is the method used by the Scheme Actuary for the triennial valuation and annual funding updates. This also uses prudent assumptions and is intended to represent a cautious estimate of the amount required now to continue to pay benefits in the future. It is therefore likely to show a higher funding position than the buy-out estimate.

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

In the 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, which it currently has, 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 its helpline on **0345 600 2541** (+44(0)20 8633 4902 for non-UK members).

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.

When is the next valuation?

The Trustee board will continue to monitor the financial position of the Scheme on a regular basis and the next three-yearly valuation is scheduled for 31 March 2024.



CALCULATIONS

There are different ways to calculate the funding position of a pension scheme. Each method seeks to value pensions already in payment (including benefits to survivors of deceased members) plus the pensions of former employees who have not yet retired. The appropriate actuarial valuation method depends on the reason for the valuation. The results may vary significantly between methods. The table above shows the two main types of valuation and the Scheme's funding position on each basis. Although these methods produce significantly different valuation results, both are correct when used in the appropriate circumstances.

In other news

Increases for pensioners

Under the Rules of the Scheme, some, or all, of a BSPS pension in payment may increase each year on 1 April.

BSPS pensions in payment are increased by reference to the annual increase in the Consumer Prices Index (CPI) over the preceding September to September period, subject to a maximum capped level in each year. The increase in CPI for the year to September 2022 was 10.1%. Accordingly, the capped level of increases, below, will be applied to BSPS pensions in payment in April 2022. GMP refers to Guaranteed Minimum Pension.

Pensioners will receive a letter at the end of March 2023 detailing how the increase has been applied to their pension and listing the payment dates for 2023/24.



PAYMENTS

Pensions are payable monthly in advance and are usually paid on the last working day of each month. The remaining payment dates in 2022/23 are as follows:

Wednesday 30 November 2022

Friday 23 December 2022

Tuesday 31 January 2023

Tuesday 28 February 2023

Friday 31 March 2023

Pension	2022 increases
GMP built up between 1978 and 1988	None
GMP built up between 1988 and 1997	Capped at 3.0%
Excess pension over GMP built up to 1997	None
Pension built up between 1997 and 2005	Capped at 5.0%
Pension built up after 2005	Capped at 2.5%

Years relate to 5 April



Update on Guaranteed Minimum Pension (GMP) equalisation

How GMP equalisation could affect your pension

Some members of the Scheme have a Guaranteed Minimum Pension (GMP) as part of their pension. GMPs are linked to the old State pension system, which means they are worked out differently for men and women. This can cause men and women in similar circumstances to receive different pension amounts. However, following clarification of the law, we now need to recalculate the total pension for some members so that they get the same pension as someone of the opposite gender. This process is called 'GMP equalisation' and has been written about in a previous newsletter.



LATEST NEWS

The Scheme website www.bspspensions.com will be updated with the latest news on this matter.

Are you affected?

Possibly, if you have a GMP from service in the Scheme between 17 May 1990 and 5 April 1997. Men and women could both be affected by the equalisation exercise. However, it is likely that any change will make only a small difference to your total pension.

We have been checking if and how members' pensions are affected. This involves analysis of the records of all members, so it is proving to be a time-consuming exercise. Consequently, we expect that if you are impacted you will be updated during 2024.

What will happen next?

We'll write to you if your pension in payment is due to change as a result of GMP equalisation – you don't need to take any action now. We will not write to you if your pension does not need adjusting.

Contact details

If you have any questions 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.

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

 pension.enquiries@bspensions.com

 www.bspensions.com

 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)**
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G2 5RU


Writing from outside the UK
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United Kingdom



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Your feedback

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

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Glasgow G2 5RU

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