

British Steel Pension Scheme

Information Debriefing following November 2022 Trustee Board Meeting:

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 has successfully transacted two buy-in policies with L&G under which around 30% of Scheme liabilities have been insured. 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 considered updated advice on a possible future insurance transaction, including the changes required to Scheme investment documentation
- The Trustee considered the actions required to further mitigate investment risk as the Scheme's funding level relevant to its strategic objectives improved

The Trustee has subsequently transacted a third buy-in policy with Legal & General, under which around 30% of liabilities were insured (bringing the total insured to around 60%)

Investment Operations

- The Chief Investment Officer presented an 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 30 September 2022, the total Fund had underperformed against its benchmark however when looked at over the preceding 12 months the Fund had outperformed its benchmark
- Following the completion of the second buy-in policy with L&G earlier in the year, and the decision to transition the management of the non-insured Scheme assets to Legal and General Investment Management (**LGIM**), representatives of LGIM attended the meeting to introduce themselves and to brief the Trustee on a range of ongoing investment matters including LGIM's objectives, a summary of the asset transition exercise to date, an overview of various individual asset classes, and how best to secure all member benefits at the appropriate time.
- The Trustee noted that the vast majority of Scheme assets had now been successfully and cost effectively transferred from the internal manager to LGIM. The Trustee expressed its thanks to all those involved in this significant undertaking
- Certification in respect of recent property valuation summaries was confirmed to the board and the relevant valuations were approved
- The Scheme's Head of Investments presented options for the potential divestment of certain Alternative Investments

Actuarial Update

- The Scheme Actuary reported on the completion of the Annual Funding Update as at 31 March 2022 and on provisional arrangements for the 2023 Update to be conducted. The outcome of the Funding Update is contained within the Autumn News Brief newsletter which has been issued to all members. Copies of member newsletters can be found on the Scheme website www.bspspensions.com
- The Trustee received an update for the Actuary on the Scheme's Actuarial Factors

Technical Update

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

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

Covenant Review

- Although the BSPS is intended to meet its liabilities on a self-sufficiency / low risk basis without further contributions being needed, there is still a regulatory requirement on the Trustee to assess the strength of the Company covenant (i.e. the sponsor's financial position, prospects and willingness to continue to support the Scheme) at the time of each actuarial valuation and to monitor developments in the covenant during the inter-valuation period. This recognises the importance of the Scheme having a solvent sponsor
- The Trustee's independent expert advisers, Penfida Ltd, presented an updated covenant assessment report on the financial position and performance of the Scheme's sponsor.

TSUK Update

- The Trustee and its advisers received a helpful and balanced update from the Chief Financial Officer of Tata Steel UK Ltd on the Company's most recent financial performance and projected future results

Future Operating Model

- Following the decision to transfer the management of the Scheme's non-insured assets to LGIM, and the consequential decommissioning of the London investment office, the Trustee was updated on the future operating model for Scheme administration and for the interactions between the Trustee, Scheme Officers, and LGIM
- Contact details for members wishing to contact the Scheme are unchanged. Details can be found on the Scheme website (www.bspspensions.com) and in the Autumn News Brief newsletter

Performance Management Arrangements

- Pensions Regulator guidance requires trustees to regularly assess the performance of key advisers and to take steps to address any performance issues which are identified
- Additionally, trustees are required to set strategic objectives for their investment consultants and to review performance against these objectives
- The Trustee considered the results of a review of the Scheme's main professional advisers and a review of the performance of the Scheme's investment consultants against their strategic objectives
- Trustee directors are generally satisfied with the standards of service provided and the Scheme advisers were reappointed accordingly
- Updated strategic objectives for the Scheme's investment consultants were considered and adopted by the Trustee

Restoration Working Group Update

- The Trustee had previously approved the Working Group's recommendations in relation to restoration payments following the 2021 Actuarial Valuation and information on the restoration exercise was included in the News Brief newsletter issued at the end of March
- Arrangements for making restoration payments to eligible members had been taken forward by Scheme Officers and Scheme Advisers with the vast majority of payments being successfully made in October 2022. The small number of remaining payments were due to be made in December 2022 and February 2023
- The Scheme Secretary updated the Trustee board on the headline figures of the exercise to date

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 Committee's recent activities

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 recent activities of the DWG

Administration Report

- The Trustee board was briefed on a range of operational and administrative matters
- As at 30 September 2022, Scheme membership was 68,075 comprising 12,891 deferred pensioners and 55,184 members whose benefits were currently in payment
- Pension payment dates for 2023/24 were confirmed. Details can be found on the Scheme website (www.bspspensions.com)
- The Trustee considered administration service standards during the period 1 July to 30 September 2022. No complaints had been received under the Scheme's service standard complaints procedure
- The Trustee noted the Scheme's participation in the 2022/23 National Fraud Initiative. This exercise will help Scheme Officers identify cases where overpayments might have arisen where the deaths of pensioners had not been notified to the Pensions Office and in identifying potential beneficiaries following the deaths of Deferred Pensioners in similar circumstances

Dates and Locations of Scheduled Meetings

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