

British Steel Pension Scheme

Information Debriefing following March 2023 Trustee Board Meeting:

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

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 three buy-in policies with L&G under which around 60% 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 the investment strategy actions required to further mitigate risk as the Scheme’s funding level relevant to its strategic objectives improved
- The Trustee agreed that no changes were required at the present time to the Scheme’s climate risk scenario analysis
- The Trustee noted confirmation from the Pensions Regulator that there were no specific issues arising from the Scheme’s first Climate Change Report for the Year to 31 March 2022

Investment Operations

- The Fund benchmarks the performance of its assets against movements in Scheme liabilities. The Scheme’s Investment Managers, LGIM, reported performance against appropriate benchmarks and provided an overview of various individual asset classes
- The Trustee was briefed on recent developments in connection with the Scheme’s property portfolios
- 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 updated the Trustee on various operational matters

Actuarial Update

- 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

New 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 actions to transition to the new operating model for Scheme administration and for the interactions between the Trustee, Scheme Officers and LGIM

Trustee Business Plan

- The Trustee board received an update on the preparation of the Scheme’s business plan

Trusteeship

- 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

Report of the Remuneration Committee

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

Report of the Audit and Risk Committee

- 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 Chair of the ARC confirmed the successful completion of reviews of the Scheme's Conflicts of Interest Framework and Privacy Policy
- The Chairman of the ARC briefed the Trustee on the Committee's recent activities

Report of the Data Working Group

- 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

Report of the Restoration Working Group

- The Trustee had previously approved the Working Group's recommendations in relation to restoration payments following the 2021 Actuarial Valuation
- 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 with a small number of further payments made in December 2022 and February 2023
- The Scheme Secretary noted that the restoration exercise was now substantially complete. Additional payments of around £58 million had been made to over 48,000 pensioner members with pre 1997 service

Member Communications

- Questionnaires designed to gauge the effectiveness of the Scheme's communications and quality of service were sent to 2,000 Scheme members drawn proportionately from Deferred Pensioners, Pensioners and Dependents
- Overall the vast majority of members who expressed an opinion were positive about their experience of the Scheme
- There were only a small number of negative responses and respondents who provided contact details have been contacted directly by Scheme Officers regarding their feedback. The Trustee noted the action plan prepared by Scheme Officers in response to feedback expressed by respondents
- The next Member Survey is scheduled to take place in 2025
- A draft letter to accompany the annual pensions increase letters, due to be issued in March for pensioners and in May for deferred pensioners, was considered by the Trustee. The draft letter set out the background to the increases which will be payable this year and confirmed that whilst the Trustee understood the concerns members had regarding increases in the cost of living, there were no provisions in the Scheme's governing documentation to award discretionary increases
- The Trustee considered the timing and format of future communications to members as the Scheme continues its progress towards achieving full funding on a buyout basis

Administration Report

- The Trustee board was briefed on a range of operational and administrative matters
- As at 31 December 2022, Scheme membership was 67,405, comprising 12,732 deferred pensioners and 54,673 members whose benefits were currently in payment
- The Trustee considered administration service standards during the period 1 October to 31 December 2022. No complaints had been received under the Scheme's service standard complaints procedure
- The Trustee was updated on the initial results of 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 25 May 2023, 24 August 2023, 23 November 2023, and 29 February 2024