

News Brief

For members of the British Steel Pension Scheme (BSPS)

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Message from your Trustee Chairman

“On 17 May 2023 the Trustee announced that it had entered into a fourth buy-in policy with Legal & General which means that all the Scheme’s liabilities are now fully insured.”



WHAT IS A BUY-IN?

A buy-in is an insurance policy purchased by a pension scheme as an asset to cover the value of the insured members’ benefits. Its purpose is to reduce the risk of a pension scheme having insufficient assets to provide members’ benefits. This could happen if, for example, future investment returns on the scheme’s assets are lower than expected and/or its members live longer than expected.

Under the buy-in, this risk is mitigated as the Trustee holds the policy as an asset to meet the Scheme’s liabilities and receives money from the insurer each month to pay benefits.

Welcome to the Spring 2023 edition of News Brief which includes a number of articles which I hope will be of interest to many of you.

We delayed the timing of our usual Spring newsletter to allow us to report on the fourth and final insurance transaction with Legal & General which was completed on 17 May 2023.

Securing liabilities with insurers provides the greatest certainty that benefits will be paid in full as and when they fall due and that is why many other UK pension schemes are also working towards this objective. Whilst the Scheme was in a strong position, there were many risks which could not be fully protected against on a standalone basis.

When the new Scheme was set up in 2018, our expert advisers indicated that it could be around 2032 before the Scheme was sufficiently well funded to insure benefits in full and make additional ‘restoration’ awards, so reaching this position nearly 10 years ahead of schedule is a very good outcome for the Scheme and its members.

This newsletter provides more information about these insurance contracts and what it means for Scheme members.

What happens next

A key focus for us now is to embed new processes to reflect these insurance contracts and build on the Scheme’s long-term relationship with Legal & General. The Trustee strongly believes that this transaction is a positive step for the Scheme: it increases the security of members’ benefits by mitigating the remaining investment, inflation, increased life expectancy and covenant risks the Scheme could face in the future.

Be assured that members' benefits under the Scheme Rules will not change because of these insurance contracts.

- You will continue to receive at least the same amount of Scheme pension you would have received if the transaction had not taken place.
- The Trustee will continue to manage the Scheme and be responsible for paying your benefits in accordance with the Scheme Rules.
- The Pensions Office will continue to administer the Scheme, so contact details will remain the same.

If your pension has not yet come into payment, your options to take early payment or to transfer your Scheme benefits to another pension arrangement, will remain too.

The terms on which those options are available are set in accordance with the provisions of the Scheme rules. The Trustee regularly reviews and, from time to time, changes the Scheme's actuarial factors used to calculate how much a pension benefit is worth if, for example, it is taken as cash or transferred out. These Scheme factor reviews are carried out on advice from the Scheme Actuary. In due course, the Trustee expects to adopt factors which align with those set by Legal & General under the terms of the buy-in policies. The Trustee will make this change when it is operationally possible to do so and once it has received appropriate advice from the Scheme Actuary that any new factors are consistent with the provisions in the rules of the Scheme.

103% restoration awards

I am delighted to confirm that completion of this insurance transaction means the Scheme has satisfied the necessary conditions to make additional 'restoration' awards to members under the agreement reached when the Scheme was set up. Our priority now is to make these payments as soon as we can.

There is more on this topic on pages 6 and 7.

Best wishes

Keith Greenfield

Chairman of B.S. Pension Fund Trustee Limited



Online member event

I recognise that some members would like to learn more about these recent developments. We will be hosting a live online member event for that purpose. While it will be too early to comment in detail on the likely form and size of the individual restoration awards, we can set out the Trustee's main considerations.

Further details, including how you can send your questions in advance to the Trustee, are on page 8.



Members' survey

The November 2022 newsletter invited all Scheme members to complete a questionnaire in order to gather a detailed view of how members rated the administration service provided, including the Scheme's communications.

Members could complete the questionnaires anonymously. Almost 2,000 members replied.

Overall, most members who expressed an opinion were overwhelmingly positive about their experience of the Scheme. Ratings for Scheme communications such as the newsletter, benefit statements and pension increase letters were generally favourable, and most respondents stated these documents fully met their requirements.

- ☆ 90% of respondents rated the Scheme's communications such as the News Brief newsletter, and annual pension increase letters highly. With a slightly lower approval rating received in respect of the annual deferred benefit statements.
- ☆ All pensioners and dependants who responded confirmed their pension was paid on time and without error.
- ☆ Of those members who expressed an opinion, most found the Scheme website (www.bspspensions.com) provided the answers they were looking for. Some members were not aware that there was a Scheme website (see improvements on page 5).
- ☆ Contact with the Pensions Office staff was generally complimentary with high satisfaction ratings recorded in relation to quality of service. Members with individual concerns who chose to provide their personal details received a call from the Pensions Office team to discuss their enquiry.

A selection of members' responses:

"Very good newsletter that I access online with the right mix of information."

"Personally, I cannot fault the BPS or its employees. I had no knowledge of pensions, except that whilst working, I was a member of a scheme. The documentation provided was clear and understandable. Every year I get a P60 which shows exactly what is going on. My monthly payment pops into my bank account when it is stated it will. I feel safe and secure. I really know nothing about pensions, I don't need to. The BPS people look after me."

"On just one occasion the query I had was not answerable on the website, but I was given a telephone number to speak to a member of staff and the query was quickly dealt with successfully."

"I have never had a moments problem getting my pension since retiring in 1980. It's a super scheme and the restoration [payment] was excellent."

Improvements made to Scheme communications following this feedback include:

- A special communication was issued earlier this year in response to concerns about the Scheme's provisions for pension increases in periods of high inflation. The Chairman wrote to members explaining that the Trustee does not have a discretion around the level of pension increases payable
- Using member communications to more widely reference the availability of the Scheme website as a useful source of information
- Communicating the Scheme's buy-in objective with Scheme members (through both this newsletter and the planned online member event).

Thank you to everyone who participated.

Overall, 91% of members who responded expressed satisfaction about the level of service they receive.

Restoration awards



Additional money for Scheme members

When the Scheme was set up in 2018, the Trustee agreed with the Scheme's sponsor, Tata Steel UK Limited, that if the Scheme achieved a funding level of 103% of the cost of insuring all members' benefit entitlements, the 3% surplus could be used to provide additional monies to members.

The funding level of the Scheme has reached the required level and the Trustee is now beginning a process of awarding '103% restoration'.

The agreement to set up the Scheme in 2018 also included provisions for additional payments to eligible pensioner members where all or part of their Scheme pension in payment was earned from service before April 1997 if the 2021 valuation resulted in an 'unexpected surplus'. These payments were successfully made in 2022 to over 48,000 eligible members.

Awarding 103% restoration is different because the Trustee has a wider discretion to award benefits, with the 3% surplus being available to increase any members' benefits not just pensioners with pre-1997 benefits. When awarding 103% restoration the same level of increase to benefits does not need to be provided to all members.

The Trustee has set up a working group to consider how the 103% restoration should be awarded. As part of that process, the Trustee will be consulting with Scheme Officers and taking advice from the Scheme's legal and actuarial advisers.

Awards of this type are uncommon and therefore the first stage is for the Trustee to take specialist legal advice on the available options for awarding 103% restoration and identifying the relevant considerations the Trustee should take into account when choosing between those available options.

The following Q&A is provided by way of introduction to the process. On page 8, you will see that the Trustee's next online member event will contain further information on this topic you might find interesting.



How much is being shared out?

The Trustee has insured 103% of Scheme benefits. Based on current market conditions the 3% surplus is equivalent to just over £200 million.

How much might I receive?

It is too early to say. This is one of the areas that the Trustee working group will need to give its full consideration over the coming months after taking specialist legal and actuarial advice and taking account of all relevant considerations identified in the process. It is likely however that a consideration will be that awards should be allocated in proportion to the benefits foregone when the new scheme was established.

When are the awards being made?

Awards are likely to be implemented in the first half of 2024, though if they can be made earlier, they will. This timeframe is designed to give the Trustee sufficient time to properly consider how to make the award.

Can I write to the Trustee?

Yes. Members can write to the Trustee (at the address on page 12) expressing any views they may have as to the principles for the allocation of the 3% surplus that they believe the Trustee should be taking into account, but please note that the Trustee will not be able to respond or enter into any correspondence with those who chose to express their views.

Online member event

11 July 2023 at 2.00pm

Member feedback received following the Scheme's first online member event in April 2022 indicated that this form of communication was welcomed by many members.

Given recent developments around insuring benefits and the payment of additional monies, the Trustee has decided to bring forward the timing of the next online member event.

When is it?

The Trustee will make arrangements for a 'live' online event to be accessed via the website www.bspspensions.com on 11 July 2023 at 2.00pm. The event will be recorded and then uploaded onto the website for members to view at a time convenient to them.

Further information on the event will be posted in advance on the Scheme website.

All Scheme members are invited to view the event.

How do I ask a question?

Members can send in their questions in advance to the Pensions Office, by email (please include your name and National Insurance number), to lee.chadwick@bspspensions.com. There will also be a facility for members joining the live event to submit questions on the day.



Budget announcements

In its March 2023 Budget, the Government announced a number of changes that affect pension tax allowances, including the changes set out here.

Legislation bringing about these changes is, at the time of writing, still to be confirmed.

Lifetime Allowance (LTA)

The LTA is the amount that you can save in total to all your pensions without incurring an additional tax charge. From 6 April 2023, the LTA tax charge will be removed. It is expected that the LTA will be entirely abolished from 6 April 2024.

Tax free cash

The maximum Pension Commencement Lump Sum (PCLS) is currently 25% of the value of your pension benefits at retirement with an upper cap of 25% of your available LTA at the time of taking the lump sum.

There will be a new upper cap of £268,275. This represents 25% of the current standard LTA. Those with protected rights to a higher PCLS (including enhanced, primary or fixed protection) will retain that entitlement to a higher PCLS.

This article summarises our current understanding of the Budget announcement. If you think you might be impacted by any of the changes then you should take independent financial advice, specific to your own circumstances.





A message from Legal & General

Left to right: Keith Greenfield, Trustee Chairman, and Andrew Kail, CEO of Legal & General Retirement Institutional

Now that we have secured all members' benefits with Legal & General (L&G), we thought it would be helpful to include a short article covering:

- L&G and its pensions business
- The security that our arrangement with L&G will bring to your pension
- The strong regulatory framework that exists in insurance.

About us

Pensions are at the heart of Legal & General. We look after more than one million pensions in the UK and we've worked with pension schemes like the British Steel Pension Scheme for over 35 years. During that time, we've secured members' benefits for more than 3,000 pension schemes, including companies such as Rolls-Royce and British Airways.

Providing income and security in retirement to members is a responsibility that drives everything we do. You can rest assured that your benefits are safe and secure with us.

Our organisation is 187 years old. Many of you will know us as 'the brand with the broolly'. Since 1836, we've grown to become one of the world's largest asset managers, homebuilders, pension providers and insurance companies.

With over £1 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes. We have over 10,000 employees and look after more than 9.5 million customers across our Group.

The security of your pension

Your pension benefits are now protected by a regulated insurance company.

We must, by law, always have enough funds available to meet all of our financial responsibilities. These 'capital requirements' exist to make sure that we can continue to meet these responsibilities even in extreme economic conditions.

We hold a 'capital surplus' of several billion pounds which means that we have an additional buffer above the amount of capital that we're required to hold.

Financial strength and regulation

Legal & General is highly rated for our financial strength by all the major ratings agencies. This shows that we are financially strong and committed to economically responsible business practices.

We are authorised by the Prudential Regulation Authority of the Bank of England and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

For further information on L&G, please visit our website at www.legalandgeneral.com

“We’re delighted to take this opportunity to introduce ourselves to members of the British Steel Pension Scheme.

We’re extremely proud to have worked with the Scheme over the past few years and are thrilled that the Trustee has chosen to secure your pension benefits with us.

We hope you’ll agree this is excellent news as it means that your benefits are now protected by one of the UK’s oldest and strongest insurance companies.”

Legal & General

Thank you to the investment team

With a view to improving the Scheme’s funding level by aligning investments more closely with insurer pricing, the Trustee and Legal & General Investment Management (LGIM) agreed in July 2022 that LGIM would manage the assets of the Scheme.

The transition was completed in late 2022 and was a key enabler in allowing the Trustee to successfully complete the final buy-in transaction in May 2023.

The Trustee would like to take this opportunity to thank the Scheme’s former Chief Investment Officer, Hugh Smart, and colleagues past and present in the London office for their significant contribution to both the Old and New British Steel Pension Schemes over many years. The Investment Office managed the assets on behalf of Scheme members consistently achieving benchmark-beating levels of performance and winning multiple awards along the way.

“On behalf of the Trustee and Scheme members I would like to acknowledge the significant contribution the in-house investment team has made over the years. We wish our former colleagues as much success in their future endeavours as they enjoyed during their time with the Scheme whether they have transferred to LGIM or are pursuing career or lifestyle opportunities elsewhere.”

Keith Greenfield, Trustee Chairman


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)**
British Steel Pension Scheme
FREEPOST RUCT-GLGS-HLRU
Glasgow
G2 5RU


Writing from outside the UK
British Steel Pension Scheme
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Scotland
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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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.bspensions.com. The Scheme website is compatible with Browsealoud, which allows you to have website content read to you. Browsealoud software is free to download.

