

British Steel Pension Scheme

Information Debriefing following August 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 Trustee considered how the IRM framework might be developed as a result of changes to the Scheme’s risk exposure now that benefits were insured in full

New Operating Model

- The Trustee considered how the recent insurance transactions would impact the way the Scheme operated going forward

Investment Strategy

- The Scheme’s investment holdings now primarily comprise insurance policies which produce a cash flow into the Scheme which exactly matches the benefit entitlements of the Scheme membership
- The Trustee additionally holds a prudent reserve to meet the on-going running costs of the Scheme. This is in the form of short dated gilts and money market funds
- The Trustee received confirmation that an updated Statement of Investment Principles (**SIP**) was executed on 15 June 2023, a copy of which can be found on the Scheme website (www.bspspensions.com)

Investment Operations

- The appointment of LGIM as the Scheme’s investment manager was a key factor in enabling the Trustee to successfully complete the third buy-in in November 2022 and the final buy-in transaction in May 2023. The Trustee received a report highlighting the value added by LGIM following its appointment
- Representatives from LGIM presented its quarterly investment management report
- The Trustee was briefed on recent developments in connection with the Scheme’s remaining property holdings
- 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 Scheme Actuary presented a report in respect of the Scheme’s annual funding update as at 31 March 2023 and the Trustee noted the steps required to conclude that process
- The Trustee regularly reviews and, from time to time, changes the Scheme’s actuarial factors. These Scheme factor reviews are carried out on the advice of 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 Scheme Actuary has confirmed that the adoption of L&G’s factors is consistent with the rules of the Scheme
- The Trustee will make this change when it is operationally possible to do so

Technical Update

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

Trusteeship

- The Trustee considered proposed revisions to its governance regime as a result of having secured insurance in respect of all Scheme liabilities

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 Chairman of the ARC briefed the Trustee on the outcomes of the meeting of the ARC held in August
- The ARC had met with the Scheme auditors to consider the outcomes of the 2023 statutory audit. It was reported that the Scheme had received an unqualified audit report with no material control deficiencies identified and no requirement for a management letter
- The Scheme's Annual Report & Financial Statements for the year ended 31 March 2023 and the Scheme's 2023 Climate Change Report were both approved and subsequently published to the Scheme's website (www.bspspensions.com)
- The Trustee was briefed on progress towards completion of the updated Scheme Risk Register

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

Restoration Working Group Update

- Following completion of the final buy-in transaction with L&G, arrangements were being progressed in relation to the restoration award to members, as set out in the Framework Agreement
- As part of that process, the Trustee is consulting with Scheme Officers and taking advice from the Scheme's legal and actuarial advisers. Awards of this type are uncommon and therefore the Trustee is taking specialist legal advice on the available options for awarding 3% restoration and identifying the relevant considerations it should take into account when implementing the awards
- Relevant information will be issued to Scheme members later in the year with the awards expected to be made in the early part of 2024

Trustee Business Plan

- The Trustee board noted a draft Business Plan setting out the key actions and activities of the Scheme in administration, investment, funding, and communication

Online Member Event

- The Trustee received feedback following the recent on-line member event, which was largely positive, and considered members' comments
- To date more than 1,000 members had either attended the event live, or watch the recording via the Scheme website

Administration Report

- The Trustee board was briefed on a range of operational and administrative matters
- As at 30 June 2023, Scheme membership was 66,052 comprising 12,338 deferred pensioners and 53,714 members whose benefits were currently in payment
- No complaints had been received under the Scheme's service standard complaints procedure

Dates and Locations of Scheduled Meetings

- The Trustee board noted the dates for the next scheduled meetings as being 23 November 2023, 29 February 2024, 30 May 2024, and 29 August 2024