Dear Mr Field

British Steel Pension Scheme

Thank you for your letter dated 18 September 2017 with your further queries regarding the British Steel Pension Scheme (BSPS).

Before coming to your letter I would like to take the opportunity to update you on a point you raised in your previous letter of 5 September regarding the BSPS’s position concerning facilitating ‘buddy block’ transfers. The BSPS trustee considered the matter at its September board meeting and made the decision to continue its practice of not facilitating these transfers. That decision was made on the basis that effecting block transfers is not simple and places significant additional requirements on the transferring scheme. The trustee took the view that making the significant changes required would be to the detriment of members generally. Its reasons are published on its website (www.bspensions.com).

Turning now to your letter of 18 September, I would firstly like to clarify your comment relating to the Regulated Apportionment Arrangement. Whilst the establishment of the successor scheme did not form part of the negotiations in respect of whether TPR would approve the RAA there was ongoing and very careful consideration of the proposal for the successor scheme in line with our statutory objectives. These statutory objectives include not only reducing the risk of situations arising which may lead to compensation being payable from the PPF, but also protecting the benefits of members.

In relation to the questions in your letter, I set out responses below. I would note that there is some information we cannot provide due to the fact that it is restricted information, so the information in this letter is limited to what we are able to share at this stage. We continue to engage with the trustee in this case and as always will endeavour to provide you with further information as and when we are able. Where we are unable to provide details, the Committee may wish to approach the trustee directly.
a) Do TPR’s qualifying criteria in respect of the New BSPS include specific assurances regarding ongoing covenant support to be underwritten by TSUK or additional funding from the wider Tata Steel Group?

TPR continues to engage with the BSPS trustee; however, the qualifying criteria we refer to in our letter of 12 September are not set by TPR. The New BSPS proposal, including the qualifying criteria that need to be met in order for it to be established, was the product of negotiation and agreement between the BSPS trustee (on behalf of the members), TSUK and the wider Tata Steel group. The scheme is to be established with TSUK acting as the sponsoring employer, so subject to the same obligations as any sponsoring employer. If the criteria for the new scheme are met and the new scheme is established, then we would of course review the ongoing funding position as part of our statutory role. In any event, we continue to engage with the trustee on these issues.

b) What are the proposed governance arrangements in the new BSPS? In particular, how will the composition of the trustee board be determined and what proportion of the board will be member-nominated?

TPR has discussed the governance of the New BSPS with the trustee and we understand that composition of the New BSPS trustee board will be included in member options packs. We have been informed that these member options packs started to be sent out to members on 9 October and we understand that some information from the members’ packs is likely to be made available on the members’ website. At this stage we are unable to provide further information in relation to the content of these packs, however we are liaising with the trustee and if we are able to provide you with further information on this then we will.

c) You mentioned that fulfilment of the qualifying criteria will depend on the outcome of calculations to be undertaken once take-up of the new BSPS is known. Who will perform these calculations, and will these calculations comprise a full actuarial valuation of the new scheme?

We would expect that all calculations are undertaken to ensure that appropriate, reasonable and sustainable funding is in place. For the reasons set out above, we are not currently in a position to provide you with further specific information in relation to the BSPS calculations. However, once the outcome of the current engagement with members is known, we will be better placed to provide you with more detail. Typically, we would expect to see such calculations undertaken by the scheme actuary and that both TPR and the PPF would be made aware of the outcome and raise any questions that we might have in order to understand the position fully.

d) Who will be party to the decision to approve the New BSPS?
The New BSPS will be established if it meets the pre-set qualifying criteria agreed by TSUK and the BSPS Trustee. Whilst TPR will not have a formal statutory role in approving the New BSPS, we will continue to engage with the trustee as part of the process. The qualifying criteria are designed to safeguard members’ benefits by ensuring TSUK is able to support the New BSPS over the longer term and once members have made their decision regarding transferring to the New BSPS or receiving PPF compensation the position regarding approval will be clearer. Once the scheme is set up it will need to be registered with HMRC and TPR in the usual way.

**e) What will happen to members who opt for the New BSPS in the event that the New BSPS does not go ahead?**

Should the New BSPS not go ahead, all BSPS members, including those who opt for the New BSPS, will remain in the BSPS and move with it into the PPF.

**f) You mentioned that “the trustee has agreed to prioritise the award of discretionary pension increases to members with pre 6 April 1997 benefits should certain funding criteria be met” and that “an explanation of the circumstances in which the discretionary benefit increases may be provided to members is to be provided shortly in their options packs.” What are these funding criteria and what governance mechanisms will be put in place in the new scheme to ensure that it makes good on this commitment?**

Members’ options packs will include additional information regarding the funding criteria and governance mechanisms that will be put in place in respect of the discretionary benefit increases that may be provided to members in the New BSPS and further information may be available from the trustee. We will provide further information to you when we can.

I hope that this is helpful and, as set out above, we will provide you with any further information when we are able to.

Yours sincerely

Lesley Titcomb -
Chief Executive