SOME MORE NEWS ITEMS

2.9% PENSION INCREASE

The annual increase applying to British Steel pensions on 1st April 2003 is calculated by reference to the Retail Prices Index movements in the period January 2002 to January 2003. The increase for this year is 2.9%.

CHECKING THAT PENSIONS ARE PAID TO THE RIGHT PEOPLE

To ensure that pensions are paid to the correct people, the Trustee has previously made regular checks by sending out audit forms for completion. A new facility has become available from the General Registrar which will reduce the need for these communications. The Pensions Office is now being supplied with computer disks of deaths going back a number of years and these are being checked against the pensions payroll to ensure that all deaths have been reported. A small number of cases have been identified where death has occurred but pension payments have continued to be made, and in some cases continued to be drawn, by other parties. Where this is quite clearly fraudulent action, these cases are being rigorously pursued and referred to the police or to the Scheme's Solicitor for criminal or civil Court action.

VISIT TO THE SCHEME'S OLDEST PENSIONER

Pensioner Trustee Geoff Deeley recently visited the Scheme's oldest pensioner, Mr Leslie Burns, who is 104 years of age and lives in Ormesby in Middlesbrough.

Mr Burns started work in 1913, at the age of 15, at Teesside Bridge and Engineering Works. His starting wage as an apprentice draughtsman was 4 shillings a week. Mr Burns recalls that while serving as an apprentice he was not allowed to use a drawing board for the first 3 years.

Mr Burns went on to enjoy working on numerous exacting and specialised projects for many Works throughout the country until his official retirement in 1965 as an Assistant Manager (Chief Draughtsman).

The secret of Mr Burns' longevity? Keeping himself busy and eating one of his own home-made rice puddings each day. Mr Burns retains a sense of humour and advises caution if you are to follow his example - don't eat the skin!

GOVERNMENT'S WIDE RANGING PENSIONS REVIEW

At the end of December 2002, the Government issued its long-awaited Green Paper on Pensions "Simplicity, security and choice : working and saving for retirement". The lengthy document covers a wide range of issues under three main themes - simplification, member protection, promotion of pensions. At the same time the Inland Revenue issued their own consultation document on simplification of the tax rules on pensions. If taken forward, the proposals could have a radical impact on the framework for all occupational pension arrangements. The Trustees will report fully on these developments once the initial consultation process has been completed and firm proposals start to emerge.

COMMUNICATIONS

Valuation report
A copy of the full Report on the Actuarial Valuation as at 31st March 2002 is available on request from the Pensions Office.

Contacting the Pensions Office
The Pensions Office aims to make it as easy as possible for you to contact them. All your UK calls to the Pensions Office will only be charged at local rates.

Telephone **0845 274 0902**
(or for members overseas **+44 141 274 2244**).

If you decide to write to the Pensions Office there is a Freepost facility within the UK (so no need for a stamp). Simply quote the following address on your envelope:

British Steel Pension Scheme
Freepost (MOO 188)
GLASGOW G2 7BR

You can fax us on **0141 248 5299**.
You can email us at
pension.enquiries@corusgroup.com

The Newsbrief is also available on audio tape, in Braille and large print. If you have used this service before, we will automatically send you a copy in your preferred format about two weeks after you receive the printed version. To register for this service please phone us, for the cost of a local call, on **0845 274 0902** (overseas members: call **+44 141 274 2244**) and let us know which version you'd like.

March 2003

Special newsbrief

Issued to all members, pensioners and deferred pensioners of the British Steel Pension Scheme

CHAIRMAN'S MESSAGE

The media is currently full of the difficulties and problems of providing pensions in the UK. It is therefore particularly appropriate at this time to brief you on the up to date position of our Scheme, which, in contrast, is soundly funded. I have also asked Mr Paul Burbidge, the Scheme Actuary, to comment on the 2002 valuation results and funding arrangements and Mr Allan Johnston, Corus Executive Director, to update us on Company developments affecting the Scheme. I trust the contents of this Newsbrief will assure you of the security of the Scheme despite the background of some extremely testing conditions. Although the Scheme cannot be totally protected against every possible event, our tradition of prudent and careful management will continue to be a strong foundation in these uncertain times.

SECURITY

The assets of the Fund are held by the Trustee to pay the benefits as they fall due and they are kept legally separate from the sponsoring company, Corus. They had a market value of £7,375 million at 31st December 2002.

The income from these assets is the Scheme's largest and most important source of income and, between 1997 and 1999, the Scheme Trustee took early action to reduce investment risk by switching over £3 billion from equities to lower risk bonds. These lower risk assets were placed in a specially established Maturity Portfolio whose objectives were to broadly match the pensioner liabilities at that time and to provide the cash with which to actually pay pensions over an extended period of time. Not only did this action significantly enhance the security of the Scheme, it also means that the Scheme does not have to sell equities at their currently depressed prices in order to pay our pensions.

Further action has recently been decided upon to recognise the growing maturity of the Scheme. Income of over £100 million a year from the balance of the Fund's investments will now be directed into the Maturity Portfolio, rather than being reinvested in equities.

Equities now represent only some 36% of the Fund's total assets. This compares to about 70% for UK Pension funds in general and this is one of the main differences which has protected the Scheme from the effects of the current depressed and volatile equity markets.

THE ACTUARIAL VALUATION PROCESS

A formal Valuation is conducted every three years to check on the financial health of the Scheme. A Valuation has been completed as at 31st March 2002, which showed that the funding level was 111%, which was what the Actuary expected. The funding level is the value of assets divided by liabilities and 111% is a very sound position. The Actuary's prudent approach to the Valuation process concentrates on long term investment returns and, although equity markets have fallen substantially since March last year, he saw no need to adjust his actuarial assumptions. The Fund's holdings of low risk investments in the Maturity Portfolio allow the Actuary to take a longer term view of its holdings in equities. Scheme experience will be formally re-assessed at the Valuation in 2005 or at an earlier date if the Trustees consider it necessary.

To keep the Trustees up to date on the financial situation of the Scheme, the Actuary carries out a basic health check on the funding position in the first year following the Valuation. This will happen this year. This is followed in the second year (2004) by a more detailed interim assessment, which then leads into the next three-yearly formal Valuation which will be carried out in 2005.

As part of the Valuation process, the Actuary also looks at a number of other measures of funding.

INCREASING LIFE EXPECTANCY

Additional allowances for increased life expectancy of the membership have been built into the Actuary's assumptions in successive valuations and this has continued to be the case in the 2002 Valuation. This factor obviously increases the cost of providing pensions from the Scheme and the Actuary has made some additional allowance for the expected liabilities in this respect.

PETER FERGUSON RETIRING

At the last Management Meeting on 11th February, Peter Ferguson formally tendered his resignation after nearly 13 years as a Trustee. You will remember that he handed over the chairmanship of the Trustee to me in July 2001 and has given us the benefit of his advice since then. He had been Trustee Chairman since July 1996 during which time he oversaw the move to switch a large part of our investments into bonds. His steadying influence and concern for the security of the Scheme have been absolutely invaluable to all our members. I am sure you will join me in thanking him and wishing him and his family a happy retirement; as you might say, to enjoy the fruits of his labours.

R A Avis
Chairman of B.S. Pension Fund Trustee Limited

PAUL BURBIDGE

Scheme Actuary

THE SCHEME'S FUNDING POSITION

Since the British Steel Pension Scheme was set up in 1990, it has remained in a sound financial position, with the value of the Scheme assets exceeding its liabilities. Over its lifetime, the Scheme has been funded using prudent assumptions. These prudent assumptions are designed to protect the financial health of the Scheme. As surpluses have arisen, Company contribution reductions in the Main Section have been spread over the average future working lifetime of members in service, of 12 years. This approach ensures that the majority of surplus is retained in the Scheme to meet any adverse experience between valuations. Most importantly, the decision taken some years ago to set up the Maturity Portfolio has protected the Scheme from a considerable element of investment risk. Whilst the Scheme is exposed to some investment risks, the Maturity Portfolio allows the Trustees to take a longer term view of their equity investments.

The main financial assumptions adopted following the 1999 valuation were retained for the formal Actuarial Valuation as at 31st March 2002.

The funding level disclosed at 31st March 2002 has developed broadly in line with expectations, as set out in the following table:-

	%
Funding level at 31st March 1999 brought forward with interest	**116.2**
Surplus used since 1999 to abate Employers' contributions	(3.5)
Investment returns	(1.8)
Changes to mortality assumptions (improved life expectancy)	(0.9)
Freezing of Scheme LEL Deduction (to 2006)	(0.4)
Miscellaneous	1.6
Funding level at 31st March 2002	**111.2**

The financial position of the Scheme remains sound, and is more secure than that of many other UK pensions plans. Additionally by reference to two objective measures, the new UK accounting standard FRS17 and the Minimum Funding Requirement, the Scheme remains well funded.

As usual in the valuation process I have also considered the financial position of the Scheme in the hypothetical situation that it was discontinued, and the Trustee then decided to continue to operate the Scheme as a closed fund. At the valuation date the Scheme had sufficient assets to meet the future payment of accrued benefits. Using approximate calculations this continued to be the case on subsequent checks at 30th June 2002, 30th September 2002, and 31st December 2002 in a volatile period for financial markets. For current pensioners and deferred pensioners, these benefits are their current pensions with allowance for future increases in line with the Rules. For active members the benefits assessed are the accrued deferred pensions which they would have become entitled to if they had voluntarily left service, again with allowance for future increases in line with the Rules. The discontinuance position at any future date will depend on the future investment returns achieved.

ALLAN JOHNSTON

Corus Executive Director

SCHEME DEVELOPMENTS

After a lengthy and complex consultation process with a number of interested parties on the following range of issues, the outcome is:

* Corus recognises that the Scheme is in good shape but continues to have concerns about the scale of its pension exposure, the uncertain outlook in financial markets, the increasing real costs and risks of providing final salary provision and the hostile environment generally which these types of schemes are experiencing. However whilst the Company will continue to monitor and review the changing pensions environment, it currently intends to address costs and risk issues within its defined benefit framework, where possible.

* Following the outcome of the 2002 Valuation, the Actuary was required to certify the level of Company contributions required to maintain the benefits payable under the Scheme, after allowing for Members' contributions. On this occasion he has certified a nil contribution rate in the Main Section generally and 12.3% of pensionable earnings in the Acquisition Section, with effect from 1st April 2003 and subject to review at future valuations.

* As part of the Company's long-term pensions review, a number of smaller schemes operating in the Group have been merged into the British Steel Scheme over the past 5 years. The Company has been considering the option to merge the Corus Engineering Steels Pension Scheme and the Firsteel Group Pension Scheme into the British Steel Scheme but concluded that it would not be appropriate at this time because of the large past service deficits prevailing in these schemes. As an alternative, around 3,000 employees covered by these schemes are being offered membership of the Acquisition Section with effect from 1st April 2003 with past service issues being retained and resolved within the CES and Firsteel Schemes.

* The Scheme's Lower Earnings Limit deduction from earnings in determining pensionable earnings, will continue to be frozen at the 1998/1999 level of £3,328 per annum for a further 3 years until 31st March 2006, subject to review at the next valuation.

* Against the onerous background for the continued operation of final salary schemes, the increasing costs from improving life expectancy and the ongoing development of Government pensions policy, it is inappropriate at this time to add to the Scheme's current pension liabilities by way of any further benefit improvements.

* Bonuses can have a disproportionate impact on final benefits paid from the Scheme, depending on timing of payment and variability of amount. A 30% cap on bonus for pension purposes already applies to senior managers and bonuses for executive directors serving on the Board are no longer pensionable. In the interests of transparency, the 30% ceiling is to be formally documented in the Scheme's Trust Deed and Rules covering all active members.

* Following an approach by the Trustees, the Company has been reviewing the governance arrangements for the Scheme and is introducing changes which could reasonably be made to the Trust Deed and Rules to provide additional comfort to the Trustees in matters relating to the security of the Scheme. The changes mainly add to consultation requirements and notice periods for significant events.