

# Lloyd's Register Superannuation Fund Association (LRSFA)

Trustee's Report and Financial Statements for the Year  
**1 April 2019 to 31 March 2020**

LRSFA the Pensions Regulator registration number: 100145126



Lloyd's  
Register

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## Appendix

1. Chairman's Statement
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## 1. Trustee

Lloyd's Register Superannuation Trustees Limited  
71 Fenchurch Street  
London  
EC3M 4BS

## 2. Secretary of the Fund

Mrs E Thomas

## 3. Sponsoring Employer

Lloyd's Register Group Ltd  
71 Fenchurch Street  
London  
EC3M 4BS

## 4. Advisers to the Fund

Actuary	Mr David Jones – Lane Clark & Peacock LLP
Auditor	Crowe U.K. LLP
Investment Managers	Aberdeen Standard Alcentra Apollo Investment Barings Legal and General Investment Management Ltd M&G Investments Partners Group PIMCO Schroders
Legal Adviser	Hogan Lovells International LLP
Investment Adviser	ISIO – Appointed 2 March 2020 – For both the DB and DC sections KPMG LLP – Until 1 March 2020 – For both the DB and DC sections
DB Administrator	XPS Administration Limited
DC Administrator & Investment Manager	Standard Life

## 5. Custodian

BNY Mellon

## 6. Bank

National Westminster Bank PLC  
Barclays Bank PLC

## 7. The Trustee of the Fund

Lloyd's Register Superannuation Trustees Limited is a company whose sole function is to act as Trustee of the Fund. The Directors of the company act as Trustees of the Fund. All enquiries regarding the Fund should be addressed to the Secretary at the address of the Trustee shown on page 3.

## 8. The Directors of the Company (Trustees)

Mr N Godden	]	Chairman
Mr S Nice	]	Nominated by
Mrs M Elkin (Resigned 31 <sup>st</sup> July 2019)	]	Lloyd's Register Group Ltd
Mrs R Berry (Resigned 31 <sup>st</sup> January 2020)	]	
Mr J Kleinot	]	
Mr N Williams (Appointed 1 <sup>st</sup> February)	]	
Mr D Wagstaff (Appointed 1 <sup>st</sup> November)	]	
Mr C Colby-Blake	]	
Mr D Cronin	]	Member Nominated Trustees
Mrs R Willson	]	(elected by the Fund members)

Trustees are appointed in accordance with Article 71 of the Articles of Association of the Company and are removed or may resign in accordance with Article 74. Trustees nominated by Lloyd's Register Group Ltd may be removed or replaced by Lloyd's Register Group Ltd. Member Nominated Trustees are subject to election by the members at Annual General Meetings. They are elected to serve for a period of three years and retire annually in rotation.

The Trustees shall have the power to remove any Trustee from office (by whoever they were appointed, either the members or the employer). The same powers will apply to appoint a replacement Trustee who ceases to be a Trustee for any reason.

There were four Trustee Board meetings held throughout the year as scheduled. Each Trustee Director has one vote and a decision may be carried by a simple majority. In the event of a tie, the Chairman will have the casting vote. The Trustee Board has delegated some of its responsibility to sub committees. The Defined Benefit and Defined Contribution Investment subcommittees convened four times in the year. The Discretions subcommittee convened monthly.

## 9. Changes to the Directors of the Trustee Company

Mrs M Elkin and Mrs R Berry stood down as Employer Nominated Trustees and were replaced by Mr D Wagstaff and Mr N Williams respectively.

In accordance with Rule D24 an election was held at the Annual General Meeting (AGM) on 17 December 2019, as the longest standing Member Nominated Trustee Director Mr D Cronin stood down. Mr D Cronin re-stood for the election and as was re-elected unopposed held at the AGM.

## 10. Changes to the Advisers to the Fund

KPMG Advisory services was sold and rebranded in March 2020 as ISIO.

## 11. Changes to the Investment Managers

The Trustee Board approved the sale of holdings with Standard Life Investments. The assets were used to fund a new Direct Lending mandate with Legal & General.

## 12. Post year end events

The 2019 Triennial LRSFA Actuarial Valuation was due to be signed off by 30<sup>th</sup> June 2020. As at the time of signing this has yet to be completed. A notice has been sent to the Pension Regulator acknowledging the delay and a commitment to complete by 30<sup>th</sup> September 2020. This has been received and accepted by the Pension Regulator.

## 13. Custodial arrangements

The Fund's assets are held by BNY Mellon. The custodian is responsible for the safe keeping of share certificates and other documents relating to the ownership of listed investments.

The Trustee is responsible for ensuring that the Fund's assets continue to be held securely. They review the custodian arrangements from time to time and the Fund's auditor is authorised to make whatever investigations deemed necessary as part of the annual audit procedures.

## 14. Taxation Status

The Fund is registered under Chapter 2 of Part 4 of Finance Act 2004. The Defined Benefit Section of the Fund was contracted out of the State Second Pension (S2P) until that Section of the Fund closed to future accrual on 30 September 2010. The Trustee knows of no reason why this status may be prejudiced or withdrawn.

## 15. The Pensions Advisory Service and the Pensions Ombudsman

If Fund members have any queries concerning their benefits they should contact the Secretary of the Fund at the Trustee address shown on page 3.

You have the right to refer your complaint to The Pensions Ombudsman free of charge.

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade  
Canary Wharf  
E14 4PU  
0800 917 4487

[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

You can also submit a complaint online: [www.pensions-ombudsman.org.uk/our-service/make-a-complaint](http://www.pensions-ombudsman.org.uk/our-service/make-a-complaint)

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB  
0300 123 1047  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

or

Money & Pensions Service  
Holborn Centre  
120 Holborn  
London EC1N 2TD  
0115 965 9570  
[contact@maps.org.uk](mailto:contact@maps.org.uk)  
[www.moneyandpensionservice.org.uk](http://www.moneyandpensionservice.org.uk)

## 16. The Pensions Regulator

The Pensions Regulator (TPR) can intervene if it considers that a Fund's Trustees, advisers, or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

0345 600 0707  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk/](http://www.thepensionsregulator.gov.uk/)

The Fund's registration number with TPR is: 100145126

## 17. Pensions Scheme Act 1993

The Act sets out requirements for disclosure of information to members past, present and prospective, their spouses and beneficiaries and recognised trade unions, and provides for an Annual Report to be issued.

The Rules of the Fund are held in the Group Pensions Department, London and are available for inspection. A Guide to the Rules of the Fund has also been issued to every member on joining.

## 18. Market Value of the Fund

At 31 March 2020 the value of the Fund was £1,223m an increase of £4m since 31 March 2019. Details are shown in the audited Financial Statements included in this report.

## 19. Membership of the Fund

Changes in membership of the Fund over the year were as follows.

	Active*	Deferred**	Pensioner	Dependent	Total
<b>As at 1<sup>st</sup> April 2019</b>	<b>1,669</b>	<b>3,334</b>	<b>1,684</b>	<b>485</b>	<b>7,172</b>
<i>Prior Year Adjustments</i>	<i>2</i>	<i>-</i>	<i>4</i>	<i>(16)</i>	<i>(11)</i>
<b>Revised as at 1<sup>st</sup> April 2019</b>	<b>1,671</b>	<b>3,334</b>	<b>1,688</b>	<b>469</b>	<b>7,162</b>
New Joiners	288	-	-	-	288
Leavers	(292)	292	-	-	-
Transfers Out/Refunds	(13)	(52)	-	-	(65)
Deaths	-	(2)	(45)	(32)	(79)
New Pensioners	(12)	(49)	61	24	24
<i>Recommencements/Adjustments</i>	<i>3</i>	<i>-</i>	<i>(4)</i>	<i>-</i>	<i>(1)</i>
<b>Net Movements</b>	<b>(26)</b>	<b>189</b>	<b>12</b>	<b>(8)</b>	<b>167</b>
<b>31<sup>st</sup> March 2020</b>	<b>1,645</b>	<b>3,523</b>	<b>1,700</b>	<b>461</b>	<b>7,329</b>

In addition, allowances were paid to 4 children (2019: 7).

\*Members in service includes 229 (2019: 260) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

\*\* Deferred members includes 2,240 (2019: 2,147) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

### Eligibility

Employees joining a sponsoring employer after 1 April 2003 are eligible to join the Defined Contribution Section of the Lloyd's Register Superannuation Fund Association.

Following the closure of the Defined Benefit Section to future accrual on 30 September 2010 the option to join the Defined Benefit Section after eight years of membership of the Fund ceased and all joiners remained in the Defined Contribution Section

## 20. Pension Reviews

Pensions in payment that contained an element deriving from Post 6 April 1997 service was increased by 2.4% from 1<sup>st</sup> April 2020 (2019: 3.3%). Guaranteed Minimum Pension (GMP) earned after 1988 increased in line with inflation up to a maximum of 3%. GMP relates to service accrued from April 1978 to April 1997, when the contracting out arrangements were changed and GMP ceased to apply, contracting out ceased on 6 April 2016. There were no discretionary increases awarded in the year for Pre 6 April 1997 service elements in excess of GMP.

## 21. Additional Voluntary Contributions (AVCs)

Contributions into Standard Life and Aviva AVCs policies were closed to new members on 1<sup>st</sup> September 2018. Members who were contributing on 31<sup>st</sup> August 2018 were able to continue to contribute into their Standard Life policy. Members wishing to pay above the regular contribution rates are now able to pay additional contributions into their Standard Life Defined Contribution Policy in line with their main investment options. The historic policies with Standard Life and Utmost Life with-profits fund are closed to new members but remain part of the member's benefits. Members are kept informed of developments regarding Utmost Life & Standard Life.

## 22. Transfers to and from the Fund

The Rules permit the acceptance of transfer payments from, and the payment of transfer values to, other registered pension arrangements. However, the Trustee is not obliged to accept transfers into the Fund.

The calculation of transfer values and the additional benefits that a transfer payment will provide are based on factors supplied by the Actuary. Cash equivalent and guaranteed cash equivalent transfer values (within the meaning of Chapter IV of Part IV of the Pension Schemes Act 1993) paid during the year were calculated and verified in the manner prescribed by regulations made under Section 97 or Section 101 of that Act.

Since 23 September 2004 transfers received from other registered pension arrangements have been invested in the Defined Contribution Section. Service Credits are no longer provided.

Until 30 September 2010 the accrued AVC funds of retiring members who wished to purchase additional pension in the Fund could be transferred to the Lloyd's Register Superannuation Fund Association (LRSFA) by Equitable Life and Standard Life on the member's retirement. The amount of additional pension so purchased was determined using factors supplied by the Actuary. After 30 September 2010 AVC and DC funds can be used as part of any lump sum taken or alternatively to purchase a product on the open market. Any excess fund remaining within the Fund must be used to purchase an annuity.

Transfer values applicable to DB benefits fully reflect the value of the member's accrued benefit rights. They no longer take into account discretionary pension increases which might be payable in the future.

The current transfer value basis makes an allowance for a lump sum payment up to £5,000 on a member's death.

In certain circumstances the Fund will accept payments from Lloyd's Register Group Ltd to augment the pension benefits of members. The additional benefits are determined using factors supplied by the Actuary.



## 23. Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent a prudent estimate of the amount of assets needed to provide the benefits that members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2016. This showed that, in the Defined Benefit Section of the Scheme, on that date:

- The value of the Technical Provisions was: £931 million
- The value of the assets at that date was: £850 million
- The value of the deficit was: £81 million

As a result, both Lloyd's Register Group Ltd and the Trustee, in conjunction with advice from the Scheme Actuary, agreed the following measures, effective from April 2016:

### (a) Escrow Account

Lloyd's Register Group Ltd established an Escrow Account in 2011. The Escrow Account is held separately from the assets of both Lloyd's Register Group Ltd and the Fund. The Escrow Account assets provide security to the Fund in the event of Lloyd's Register Group Ltd becoming insolvent and a source of deficit reduction contributions. Since 2011 there have been payments out of the Escrow to both the LRSFA and Lloyd's Register Group as per the schedule of contributions. The current value of the Escrow stands at £77.3m (2017: £84.7m)

### (b) Past service deficit recovery plan:

From the Escrow, established by deed agreed between the Company and Trustee dated 29 June 2011 or any successor escrow:

- On or before 31 March each year from 2017 to 2026 inclusive : £6.03 million per annum
- On or before 31 March 2018 : £0.7 million
- On or before 31 March each year from 2018 to 2020 inclusive : £2.1 million per annum

### (c) Future service contribution rates and expenses:

- The Defined Benefit Section of the LRSFA was closed to future accrual on 30 September 2010. Contributions are paid equal to the premiums for the life insurance policy.
- Contributions of £0.8m a year, payable monthly as an allowance towards the LRSFA's operating expenses. Should the operating expenses exceed or be forecast to exceed £0.8m in any given year ended 31 March then the Trustee and the Company will agree jointly how the operational expenses in excess of £0.8m will be paid
- In addition, the Employer pays a contribution of 0.6% of members' pensionable salaries to cover the 'soft landing' benefits applicable to certain members of the Fund.

### (d) Deed of Gift

Lloyd's Register Group Ltd established a Deed of Gift with Lloyd's Register Foundation in 2013 in which a promise was given to the LRSFA, that should Lloyd's Register Group Ltd become insolvent, Lloyd's Register Foundation will gift LRSFA £100m. The agreement was in place until 1 July 2017 and was since been extended until 1 July 2020 after which no promise was in place.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

## Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

### Significant actuarial assumptions

**Discount interest rate:** term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 2% per annum pre-retirement and 1% post retirement. In addition, an additional reserve of £46m as at 31 March 2016 is held to fund potential de-risking (and/or to provide a margin against any adverse experience that may arise).

**Future Retail Price inflation:** term dependent rates derived from the gilt market with an average rate of 3.2% per annum.

**Future Consumer Price inflation:** assumed to be equal to future retail price inflation less an adjustment of 0.9% per annum.

**Pension increases in payment:** Pension accrued after 5 April 1997 is subject to a minimum rate of increase equal to the annual rise in the Retail Prices Index (RPI) capped at 5% per annum; these increases are assumed to be at the rate of 3.2% per annum. No allowance is made for future discretionary increases.

**Mortality:** standard tables S2NA with a scaling factor of 95% projected from 2007 in line with the CMI 2015 core projections with a long-term annual rate of improvement of 1.5%.

## 24. Financial Statements & Contributions

### Financial Statements

The Financial Statements in this report have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

### Contributions

During the year ended 31 March 2020 contributions were paid to the Fund in accordance with the rates set down in the Schedules of Contributions certified by the Actuary on 30 June 2017, which came in to effect from 1 July 2017.

## 25. Investment Review

### General overview

It will be appreciated that although investments are shown in this report at their year-end market value, their value will change from time to time as market conditions alter. The financial well-being of the Fund depends not so much on the current market value of the assets but on the income derived from those assets and whether those assets are likely to be sufficient to meet the Fund's liabilities.

### Investment managers

As at 31 March 2020 the investments of the Defined Benefit Section were managed as follows:-

Manager	Asset Class	Investments Managed	31/03/2020 (Actual% of Total Portfolio Managed)	31/03/2020 (Expected% range of asset portfolio)	31/03/2019 (Expected% of Total Portfolio Managed)	31/03/2019 (Expected % range of asset portfolio)
L&G	Equity	Passive World Equity	5.0	2-6	5.3	12-20
L&G		Buy & Maintain Credit	18.4	17-21	0	11-15
M&G Alpha		Diversified Credit	4.4	11-15	4.7	11-15
PIMCO		Diversified Credit	7.0		8.3	
Alcentra		Direct Lending	7.3		8.7	
Partners Group	Credit	Direct Lending	9.9	16-24	6.9	16-24
Apollo		Semi-Liquid Credit	7.2	8-12	8.0	8-12
Barings		Collateralised Loan Obligations	8.3	10-14	9.7	10-14
Aberdeen Standard		Active UK Credit	0	0	7.3	5-9
Schroders	Liability Hedging	Liability Driven Investments	32.4	18-26	41.2	19-25

Actual percentage of portfolio reflects only the assets held by the above managers and Bluecrest but excludes any money in the Trustee bank account and AVCs. May not sum due to rounding. Several allocations were outside the control range in the SIP, but the Trustee decided not to rebalance as discussions were ongoing about changing the investment strategy once the 2019 Actuarial Valuation is finalised.

### Other investment decisions

The Trustee agreed to invest in a Buy & Maintain Credit mandate as part of the de-risking strategy. c.£203.6m was invested into L&G Buy & Maintain Corporate Bonds in September 2019. This was sourced from the Fund's Schroders LDI mandate (where cash was held following disinvestment from the Fund's Equity assets) and from a full disinvestment of the Aberdeen Standard Investments holdings. In March 2020 the Fund received payment from LR's Escrow account of £8.13m (2019: £8.13m) which was placed into the Fund's National Westminster bank account.

During the year the small amount in Liongate was transitioned into cash.

All investment business is conducted in accordance with the Statement of Investment Principles prepared in accordance with Section 35 of the Pensions Act 1995 which includes the Trustee's investment policy on social, environmental and ethical investment considerations. The Trustee agreed that funds must be invested to obtain the best possible return for members, subject to an appropriate level of risk. Trustee policy regarding social, environmental and ethical investment issues is therefore that the extent to which these issues are taken into account in investment decisions is left to the discretion of the active investment managers. The Trustee does not consider it appropriate for the passive investment manager to take account of such issues in the selection, retention and realisation of investments.

The Trustee encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance to the Stewardship Code published by the Financial Reporting Council. The Trustee will review the corporate governance policies of the Scheme's investment managers periodically.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee has reviewed and has accepted the investment managers' policies in respect of the exercising of rights attaching to investments and periodically reviews the actions taken by the investment managers in this regard to ensure that it continues to be comfortable with them.

A copy of the Statement of Investment Principles is attached to this document at appendix 1.

The Investment Sub Committee (IC) is made up of members of the Board of the Trustee. There is a minimum of three Board members on the Investment Sub Committee, with at least two being employer nominated. They are appointed by the Trustee. Investment performance is measured through participation in the service operated by BNY Mellon.

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

### Performance – Defined Benefit Section

The investment managers have specific performance benchmarks. The Fund's performance against these benchmarks for the year ended 31 March 2020 was:-

Manager	Benchmark Return %	LRSFA Return %	Difference %
<b>Equity Managers</b>			
LGIM Ltd - World Markets	-6.0	-6.0	0.0
<b>Fixed Income Managers</b>			
M&G Alpha	0.7	-3.5	-4.2
PIMCO - Diversified Credit	-4.3	-2.7	1.6
L&G – Buy & Maintain Credit*	-	-	-
<b>Alternative Managers</b>			
Alcentra – Direct Lending	0.8	8.6	7.8
Apollo – Semi-Liquid Credit	0.8	-4.9	-5.7
Barings (Babson) – Collateralised Loan Obligations	0.8	-12.4	-13.2
Partners Group – Direct Lending 2015	0.8	2.1	1.4
Partners Group – Direct Lending 2018	0.8	-4.8	-5.5
Schroders – Liability Driven Investments	17.2	17.2	0.0

\*The L&G Buy & Maintain Credit mandate has not yet been in place for a year, and therefore there are no numbers to report.

The assets of LRSFA's Defined Benefit Fund performed positively during the year, but below the benchmark, with the return remaining ahead of inflation. Majority of growth managers did not outperform their benchmark following volatile market environment.

Aggregate Performance over	1 year %	3 years %	5 years %
Fund	4.8	6.0	7.1
Benchmark	5.9	5.4	5.2

This table details the aggregate performance of the Fund against benchmark over 1, 3 and 5 years. These are annualised rates of return.

## Performance – Defined Contribution Section

The Defined Contribution Section is administered by Standard Life. Members currently have a choice of investment funds from the Standard Life portfolio or may choose a Lifestyle Option.

The value of DC assets for members in this section held within these funds at 31 March 2020 is as follows:-

Fund Name	Current Value	Allocation %	Performance %	Benchmark %
LR Adventurous Fund	£116,709,024	69.55	-8.4	-5.1
LR SL BlackRock Market Advantage Pension Fund	£21,043,704	12.54	-7.1	4.3
LR Fixed Income Fund	£15,511,476	9.24	4.9	2
LR SL BlackRock Cash Pension Fund	£3,849,843	2.29	0.5	0.5
LR SL iShares Index Linked Gilt Index Pension Fund	£3,820,392	2.28	6.7	2.4
LR Global Equity - Active	£1,732,415	1.03	-1.2	-6.7
LR SL BR ACS 50:50 Global Equity Tracker Pn Fd	£1,088,922	0.65	-12.7	-12.2
LR Emerging Markets Equity Fund	£697,608	0.42	-19.3	-13.4
LR Sustainable Investments	£653,542	0.39	-5.7	-5.9
LR SL iShares UK Equity Index Pension Fund	£597,808	0.36	-18.9	-18.5
LR SL BR ACS 30:70 Global Equity Trk (Hdgd) Pn Fd	£466,738	0.28	-12.2	-12.7
LR Pre Retirement Fund	£380,649	0.23	5.5	2.4
LR Property Fund	£370,487	0.22	-1.5	-2.9
LR Moderate Fund	£355,120	0.21	-2.8	1.6
LR SL iShares Over 15 Year Gilt Index Pension Fund	£208,191	0.12	18.5	17.6
LR SL Long Corporate Bond Pension Fund	£190,562	0.11	2.7	2.9
LR Diversified Growth	£136,005	0.08	-7.7	6.5
	£167,812,485	100.00		

\*Historic investment performance is not available after the switch to Standard Life where new funds were created

The Lifestyle Option involves an investment process, under which contributions are invested initially in funds with the objective of providing long term growth (such as equity index funds), moving to funds with lower potential volatility and pension conversion risk (such as bond index funds and money market funds) as members approach retirement.

The default investment strategy has been set up to seek better protection for member savings against a wider range of risks as they approach retirement, no matter how and when members plan to take their savings. The switching period now starts from 20 years out from selected retirement age. The default is called Flexible Retirement Strategy. More information can be found on the Pensions website [www.lrpensionport.co.uk](http://www.lrpensionport.co.uk). As at 31 March 2020, 95.6% (2019: 94.55%) of Defined Contribution Section members were invested using the Lifestyle Option.

The Investment Committee monitors the performance of the funds provided by Standard Life with the assistance of ISIO.

The administrative expenses associated with the operation of the Defined Contribution Section are incurred in the Annual Management Charge levied on the funds above.

## 26. Distribution of the Fund

At 31 March 2020 the balance of the assets of the Defined Benefit Section at market value was:

Asset Class	% of portfolio
Bonds and Equities	49.40
Pooled Investment Vehicles	47.78
Cash on Deposit	2.51
AVC Investments	0.31
	<b>100.00</b>

The investments with a value of 5% or over of the net assets at 31 March 2020:

Investments	Market Value £000's	% of Net Assets
Schroders	332,698	31.53
L&G Buy & Maintain	188,516	17.87
Partners Group	101,474	9.62
Barings	85,111	8.07
Alcentra	74,502	7.06
Apollo	74,294	7.04
PIMCO	71,967	6.82

## 27. Administrative expenses

The Fund made a payment of £240k (2019: £240k) to Lloyd's Register Group Ltd towards reimbursement of the expenses of administering the Fund.

## 28. Covid-19

At the time of approval of the Financial Statements, issues arising from the Covid-19 pandemic continue to develop. The Trustee has considered the impact of these and any other issues on the assessment of the Employer's ability to support the Scheme as a going concern. In particular, the Trustee considered the potential impact of Covid-19 on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme, taking into account the Scheme's strong funding level, well diversified investment strategy and financial resources available to the Employer.

Having assessed the circumstances, the Trustee has determined there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and therefore believes it remains appropriate to prepare the Financial Statements on a going concern basis.

9/16/2020

Approved on ..... on behalf of the Trustee by:

*[Signature redacted]*

.....

Director

Lloyd's Register Superannuation Trustees Limited

*[Signature redacted]*

.....

Director

Lloyd's Register Superannuation Trustees Limited

## 29. Actuarial Statements

3285281

### *Lloyd's Register Superannuation Fund Association* *Schedule of Contributions*

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This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It has been agreed between Lloyd's Register Superannuation Trustees Limited, the Trustee of Lloyd's Register Superannuation Fund Association ("the LRSFA"), and Lloyd's Register Group Limited ("LR") on behalf of itself and the other participating employers, as indicated below by authorised signatories.

This Schedule sets out the contributions payable to the LRSFA over the period ending 31 March 2026. It also shows the contributions that are payable to the LRSFA between the effective date of the valuation and the date that the Actuary certifies the Schedule.

#### 1. Contributions payable to individual Member Accounts in the Money Purchase Section

1.1 Ordinary Contributions and Ordinary Employer Contributions, as defined in the Rules, payable monthly:

Contribution rate selected by the member	Contributions by Members (% of Basic Salaries)		Contributions by Employers (% of Basic Salaries)	
	Salary sacrifice members	Non-salary sacrifice members	Salary sacrifice members	Non-salary sacrifice members
3%	nil	3%	13%	10%
4%	nil	4%	15%	11%
5%	nil	5%	17%	12%
6%	nil	6%	19%	13%
7%	nil	7%	21%	14%
8%	nil	8%	23%	15%

Note: Certain Members who encounter Lifetime Allowance or Annual Allowance issues can apply to the employer to receive a pension cash allowance in respect of some or all of their Ordinary Contributions and/or Ordinary Employer Contributions in line with the Pension Cash Allowance Policy dated 8 January 2016 as subsequently amended.

1.2 Additional voluntary contributions payable by, or on behalf of, the Members.

1.3 On a Member's death-in-service or on leaving service because of incapacity, the Basic Salary Top-up or if less the Maximum Allowance Top-up to be credited to the individual Member Account in accordance with the Rules payable by LR, to the extent that the allowance is not met from the General Account.

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**2. Regular contributions payable by the participating employers to the LRSFA**

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**Contributions from the employers**

Life insurance	Contributions equal to the premiums for the life insurance policy providing cover of 4 times Basic Salary paid on the death of an Active Member in accordance with the Rules. These contributions are payable as and when the premiums fall due.
"Soft Landing" benefits	0.6% of Basic Salaries of Active Members party to a Relevant Agreement (as defined in the Rules) payable monthly to meet the funding cost of benefits payable in accordance with C3.1.4(b) or C3.1.5(b) of the Rules.
Operational Expenses	Contributions of £0.8m pa payable monthly as an allowance towards the LRSFA's operating expenses. Should the operational expenses exceed or be forecast to exceed £0.8m in any given year ended 31 March, then the Trustee and LR will agree jointly how the operational expenses in excess of £0.8m will be paid.
"Divergence 1" rectification costs associated with corrections made to benefits in 2016	£0.7m as soon as practicable and by no later than 31 March 2018, and £2.1m pa on or before 31 March each year from 2018 until 2020 inclusive, payable from the Escrow established by deed between LR and the Trustee dated 29 June 2011 or any successor Escrow agreement.
Principal Employer's Guarantee (D11.9)	The Principal Employer shall make good any amounts due under clause D11.9 in such manner as is agreed between the Principal Employer and the Trustee.
PPF levies	Contributions equal to Pension Protection Fund ("PPF") levies invoiced to the LRSFA. The contributions are payable as and when the PPF levies are due unless LR settles the levies directly.
Other contributions	Additional contributions as may be required under the Trust Deed, or agreed between LR and the Trustee in specific circumstances, for example to cover augmentations. LR and the Trustee have agreed in principle that the rectification costs associated with correcting divergence between the administration practice and the benefits payable under the Rules will be met through a special payment or payments from the Escrow established by deed between LR and the Trustee dated 29 June 2011 or any successor Escrow agreement. These contributions are due at the time agreed between LR and the Trustee in each case.



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3. Deficit contributions

Page 3 of 3

On or before 31 March each year from 2017 to 2026 inclusive: £6.03 million per annum.

The deficit contributions are payable from the Escrow established by deed agreed between LR and the Trustee dates 29 June 2011 or any successor escrow agreement. In the event that there were insufficient assets in the Escrow, the deficit contributions would be payable by LR.

4. Timing of contributions

Member contributions will be remitted to the Trustee and credited to each Member's Account no later than the 19th of each month after that in which contributions are deducted from earnings. Contributions from the Employer will, unless specified to the contrary, be due monthly and payable no later than the 19th of each month after the month to which they relate.

LR will pay any additional contributions as decided by the Trustee, on the advice of the Actuary and in accordance with the Rules, to meet any benefit augmentations including discretionary increases agreed with LR. Such contributions will be paid within 19 days of the due date notified by the Trustee.

This Schedule of Contributions is dated 30 June 2017. It replaces the Schedule of Contributions dated 26 September 2014 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Trustee of the LRSFA

Signature: [Signature redacted] ..... authorised signatory

Name: .....

Position: TRUSTEE DIRECTOR .....

on behalf Lloyd's Register Group Limited and the other participating employers

Signature: [Signature redacted] ..... authorised signatory

Name: .....

Position: CFO .....



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*Actuary's certification of schedule of contributions*

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This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Lloyd's Register Superannuation Fund Association

**Adequacy of rates of contributions**

1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 30 June 2017.

**Adherence to statement of funding principles**

2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 June 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: *[Signature redacted]* Date: 30 June 2017

Name: Qualification: FIA  
Address: 95 Wigmore Street Employer: Lane Clark & Peacock LLP  
London W1U 1DQ

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**3297985**      **Notes not forming part of the certification**

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In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee's funding assumptions as set out in the statement of funding principles dated 30 June 2017 and their Recovery Plan dated 30 June 2017 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

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## *Lloyd's Register Superannuation Fund Association Recovery plan*

Page 1 of 2

The actuarial valuation of the Lloyd's Register Superannuation Fund Association ("the LRSFA") as at 31 March 2016 revealed a deficit of £81m. In accordance with Section 226 of the Pensions Act 2004, the Trustee of the LRSFA has prepared this recovery plan, after obtaining the advice of David Jones, the Scheme Actuary.

### 1. Steps to be taken to ensure that the statutory funding objective is met

The Trustee has agreed the provisions of this recovery plan with Lloyd's Register Group Limited ("LR") on behalf of itself and the other participating employers. It has been agreed to eliminate the funding deficit by the payment of the following contributions.

#### Deficit contributions to be made to the LRSFA

Amount £m	Payment due dates
6.03	By 31 March 2017 (paid)
6.03	On or before 31 March each year from 2018 to 2026 inclusive
Additional contributions due in respect of "Divergence 1" rectification exercise:	
0.7	As soon as practicable and by 31 March 2018
2.1	On or before 31 March each year from 2018 to 2020 inclusive

These contributions are payable from the Escrow established by deed agreed between LR and the Trustee dated 29 June 2011 or any successor escrow arrangement. In the event that there were insufficient assets in the Escrow, the deficit contributions would be payable by LR.

### 2. Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 31 March 2026. This is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Scheme's Statement of Funding Principles dated 30 June 2017.
- The return on existing assets and new contributions during the period are as adopted for the calculation of the technical provisions including the additional investment de-risking reserve plus an additional return of 0.3% pa.

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3. Agreement by the Trustee and the participating employers

Page 2 of 2

This recovery plan was prepared on 30 June 2017 and replaces the previous recovery plan dated 26 September 2014.

Signed on behalf of the Trustee of the LRSFA

[Signature redacted]

Signature: .....

Name: .....

Position: TRUSTEE DIRECTOR .....

Agreed on behalf of Lloyd's Register Group Limited and the other participating employers

[Signature redacted]

Signature: .....

Name: .....

Position: CFO .....

### 30. Statement of the Trustee's responsibilities in respect of the Financial Statements

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension fund regulations require, and the Trustee is responsible for ensuring, that those Financial Statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the Financial Statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an Annual Report.

The Trustee also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

## 31. Independent auditor's report to the Trustee of the Lloyd's Register Superannuation Fund Association

### Opinion

We have audited the Financial Statements of Lloyd's Register Superannuation Fund Association for the year ended 31 March 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Trustee has not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

### Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 22, the Trustee is responsible for the preparation of the Financial Statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to wind up the Fund or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Fund's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP  
Statutory Auditor  
London

*[Signature redacted]*

Date. 23 September 2020.....



## 32. Fund Financial Statements for the year ended 31 March 2020

### Fund Account

	Notes	DB Section 31.03.20 £'000	DC Section 31.03.20 £'000	Total 31.03.20 £'000	DB Section 31.03.19 £'000	DC Section 31.03.19 £'000	Total 31.03.19 £'000
<b>Contributions and benefits</b>							
Employer contributions	4	9,724	17,089	26,813	9,768	15,840	25,608
Employee contributions	4	13	816	829	60	1,292	1,352
<b>Total contributions</b>		<b>9,737</b>	<b>17,905</b>	<b>27,642</b>	<b>9,828</b>	<b>17,132</b>	<b>26,960</b>
Transfers in	5	0	1,843	1,843	0	245	245
Other Income	6	3	122	125	1	194	195
		<b>9,740</b>	<b>19,870</b>	<b>29,610</b>	<b>9,829</b>	<b>17,571</b>	<b>27,400</b>
Benefits paid or payable	7	(34,442)	(4,298)	(38,740)	(34,574)	(3,175)	(37,749)
Payments to and on account of leavers	8	(7,446)	(6,168)	(13,614)	(6,054)	(6,855)	(12,909)
Other payments	9	(435)	0	(435)	(429)	0	(429)
Administrative expenses	10	(1,536)	(185)	(1,721)	(1,562)	(188)	(1,750)
		<b>(43,859)</b>	<b>(10,651)</b>	<b>(54,510)</b>	<b>(42,619)</b>	<b>(10,218)</b>	<b>(52,837)</b>
<b>Net (withdrawals)/additions from dealings with members</b>		<b>(34,119)</b>	<b>9,219</b>	<b>(24,900)</b>	<b>(32,790)</b>	<b>7,353</b>	<b>(25,437)</b>
<b>Returns on investments</b>							
Investment income	11	18,949	0	18,949	23,922	0	23,922
Change in market value of investments	14	25,247	(13,522)	11,725	59,889	7,056	66,945
Investments manager expenses	12	(175)	0	(175)	253	(448)	(195)
<b>Net return on investments</b>		<b>44,021</b>	<b>(13,522)</b>	<b>30,499</b>	<b>84,064</b>	<b>6,608</b>	<b>90,672</b>
<b>Net increase in the Fund during the year</b>							
		<b>9,902</b>	<b>(4,303)</b>	<b>5,599</b>	<b>51,274</b>	<b>13,961</b>	<b>65,235</b>
Transfer between sections	*	(275)	275	0	415	(415)	0
Net assets of the Fund at 1 April		1,046,969	172,341	1,219,310	995,280	158,795	1,154,075
<b>Net assets of the Fund at 31 March</b>		<b>1,056,596</b>	<b>168,313</b>	<b>1,224,909</b>	<b>1,046,969</b>	<b>172,341</b>	<b>1,219,310</b>

\*Included within the transfer between sections are benefits due to be paid to members, where a combined benefit for both sections will be paid from the DB section, and administrative expenses charged through the DB section being presented within the DC section.

## Statement of Net Assets as at 31 March 2020 (available for benefits)

	Notes	2020 £'000	2019 £'000
<b>DEFINED BENEFIT SECTION (DB)</b>			
<i>Return Seeking Strategy</i>			
Investment assets			
Equities	14	1	2
Pooled investment vehicles	16	504,350	605,948
Other investment balances	14	3,943	3,349
<b>Total Net Return Seeking Strategy Investments</b>		<b>508,294</b>	<b>609,299</b>
<i>Liability Matching Strategy</i>			
Investment assets			
Bonds	14	983,389	1,035,311
Derivatives	17	79,216	0
Cash	14	148,593	58,851
		<b>1,211,198</b>	<b>1,094,162</b>
Investment liabilities			
Derivatives	17	(667,820)	(663,191)
<b>Total Net Liability Matching Strategy Investments</b>		<b>543,378</b>	<b>430,971</b>
AVC investments	18	3,706	4,341
<b>Total Net Investments</b>		<b>1,055,378</b>	<b>1,044,611</b>
Current assets	23	2,590	3,309
Current liabilities	24	(1,372)	(951)
<b>Total Net Assets of DB Section</b>		<b>1,056,596</b>	<b>1,046,969</b>
<b>DEFINED CONTRIBUTION SECTION (DC)</b>			
Pooled investment vehicles	17	168,020	172,332
<b>Total Net Investments</b>		<b>168,020</b>	<b>172,332</b>
Current assets	23	432	537
Current liabilities	24	(139)	(528)
<b>Total Net Assets of DC Section</b>		<b>168,313</b>	<b>172,341</b>
<b>Total Net Assets as at 31 March</b>		<b>1,224,909</b>	<b>1,219,310</b>

The notes on pages 27 to 41 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 9 and 10 of the Annual Report and these Financial Statements should be read in conjunction with this report.

9/16/2020

Approved on ..... on behalf of the Trustee by:

*[Signature redacted]*

.....  
Director – Lloyd's Register Superannuation Trustees Limited

*[Signature redacted]*

.....  
Director - Lloyd's Register Superannuation Trustees Limited

## Notes to the Financial Statements

### 1. Basis of Preparation

The Financial Statements have been prepared on a going concern basis and in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Financial Statements and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018).

As stated in the Statement of Trustee's Responsibilities on page 22, the Trustee is responsible for preparing the Financial Statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis. As disclosed in the Trustee's Report on page 14 under the heading Covid-19, the Trustee has undertaken an assessment in relation to going concern and have considered such matters as the potential impact on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme, taking into account the Scheme's strong funding level, well diversified investment strategy and financial resources available to the Employer. The Trustee Board has determined that whilst there is uncertainty over the impact on the Employer's financial performance and resources, there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the Financial Statements on a going concern basis.

### 2. Identification of the Financial Statements

The Fund is established as a trust under English law. The address for enquiries to the fund is included in the Trustee's Report.

### 3. Accounting Policies

#### Contributions

Contributions of the employers and members are accounted for on an accruals basis.

#### Individual Transfers

Individual transfers to and from the Fund during the year are included in the Financial Statements when payment is made or received which is when the liability transfers.

#### Investment Income

Income from bonds and derivatives is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

#### Benefits payable

Pensions payable are accounted for by reference to the period for which they relate. Refunds and cash lump sums are accounted for either on a cash basis if members can exercise a choice in relation to these benefits or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Fund.

#### Expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

#### Investments

##### (i) Investments other than derivatives

Listed securities are valued at bid market values for the year ended 31 March 2020 for the official closing price on the year end date.

Unquoted investments are valued at fair value based on the Fund Manager's advice using an appropriate basis of valuation and relevant market data at the year end date.

Pooled investment vehicles are valued at bid prices at the year end or, if single priced, at the closing single price as provided by the relevant Fund Managers on the last dealing day prior to the balance sheet date.

Investments held in foreign currencies are valued as above and translated into sterling at the relevant spot rates ruling at the balance sheet date.

**(ii) Repurchase Agreements**

For repurchase agreements, the Fund continues to recognise and value the securities that are delivered out as collateral, and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

**(iii) Derivatives**

Exchange traded futures valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Swaps are valued based on the current value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

**Functional Currency**

All contracts and transactions are made in Sterling (GBP).

**Insurance Policies**

AVCs invested in insurance policies are valued on the basis of their open market transfer values quoted by the relevant insurance companies as adjusted for additions and withdrawals between the valuation dates.

**4. Contributions**

		2020		
		DB	DC	Total
		£'000	£'000	£'000
	Note			
<b>Employer contributions</b>				
Normal	i	0	16,680	16,680
Deficit funding	ii	8,130	0	8,130
Additional - operating expenses	iii	800	0	800
Additional - survivors' pension	iv	172	0	172
Bonus Waiver	v	0	409	409
PPF Levy	vi	187	0	187
Insurance	vii	435	0	435
		<b>9,724</b>	<b>17,089</b>	<b>26,813</b>
<b>Member contributions</b>				
Normal	i	0	816	816
Additional voluntary contributions	ii	13	0	13
		<b>13</b>	<b>816</b>	<b>829</b>
		<b>9,737</b>	<b>17,905</b>	<b>27,642</b>
		2019		
		DB	DC	Total
		£'000	£'000	£'000
	Note			
<b>Employer contributions</b>				
Normal	i	0	15,317	15,317
Deficit funding	ii	8,130	0	8,130
Additional - operating expenses	iii	800	0	800
Additional - survivors' pension	iv	186	0	186
Bonus Waiver	v	0	523	523
PPF Levy	vi	223	0	223
Insurance	vii	429	0	429
		<b>9,768</b>	<b>15,840</b>	<b>25,608</b>
<b>Member contributions</b>				
Normal	i	0	1,223	1,223
Additional voluntary contributions	ii	60	69	129
		<b>60</b>	<b>1,292</b>	<b>1,352</b>
		<b>9,828</b>	<b>17,132</b>	<b>26,960</b>

## (a) Employer contributions

- (i) Amounts received from the employer in accordance with the Schedule of Contributions agreed following the actuarial valuation as at 31 March 2016. The value shown above includes Salary Sacrifice contributions.
- (ii) Contributions have been paid to the Fund to offset the past funding shortfall in accordance with the recommendations of the Actuary. Details of this can be found in the Recovery Plan on page 20 and 21.
- (iii) With effect from 1 October 2014 an employer contribution rate of £800,000 per annum was set. This is payable monthly as an allowance towards the Fund's operating expenses. Should the actual expenses exceed this amount then the Trustee and LR will agree jointly how the excess will be paid.
- (iv) An employer contribution rate of 0.6% of basic salaries of active members was set to meet the cost of the underpin on the survivors' pension payable on the death of an employed member.
- (v) Contributions have been paid in respect of the Executive Bonus Waiver Fund.
- (vi) The employer is required to pay additional contributions in respect of PPF levies payable by the Fund under the latest Schedule of Contributions.
- (vii) Payment made by the employer in respect of life insurance cover for all employed members.

## (b) Member contributions

- (i) Members' normal contributions (excluding AVCs) are paid at various rates as set out in the Schedule of Contributions.
- (ii) Until August 2018 AVCs were paid by members to purchase investments, the value of which determines the benefit to members, and which have been invested separately from the main fund. AVCs received since September 2018 have been classified as member normal contributions and are not invested separately from the main fund.

The rates, as percentages of pensionable salaries, during the year ended 31 March 2020 were:

	DC Contribution Rates			
	Salary Deduction		Salary Exchange	
	Employee	Employer	Employee	Employer
Regular Contributions	From 3% to 8%	From 10% to 15%	N/A	From 13% to 23%
Additional Contributions	From 1% to 72%	N/A	N/A	From 1% to 72%

Members can select a contribution rate of between 3% and 8%. For every extra 1% above the 3% they select the Employer will increase its starting contribution of 10% by 1% up to a maximum of 15%. Additional Contributions are paid on top of regular contributions.

## 5. Transfers in

	2020		
	DB £'000	DC £'000	Total £'000
Individual transfers in from other schemes	0	1,843	1,843
	0	1,843	1,843

	2019		
	DB £'000	DC £'000	Total £'000
Individual transfers in from other schemes	0	245	245
	0	245	245

## 6. Other income

	2020		
	DB £'000	DC £'000	Total £'000
Sundry income	3	0	3
Claims on term insurance policies	0	122	122
	<b>3</b>	<b>122</b>	<b>125</b>

	2019		
	DB £'000	DC £'000	Total £'000
Sundry income	1	0	1
Claims on term insurance policies	0	194	194
	<b>1</b>	<b>194</b>	<b>195</b>

## 7. Benefits paid or payable

	2020		
	DB £'000	DC £'000	Total £'000
Pensions	31,987	0	31,987
Commutations of pensions and lump sum retirement benefits *	1,947	3,786	5,733
Purchase of annuities	56	223	279
Lump sum death benefits	377	260	637
Taxation where lifetime or annual allowance exceeded**	75	29	104
	<b>34,442</b>	<b>4,298</b>	<b>38,740</b>

	2019		
	DB £'000	DC £'000	Total £'000
Pensions	32,009	0	32,009
Commutations of pensions and lump sum retirement benefits *	1,985	2,626	4,611
Purchase of annuities	0	246	246
Lump sum death benefits	543	303	846
Taxation where lifetime or annual allowance exceeded**	37	0	37
	<b>34,574</b>	<b>3,175</b>	<b>37,749</b>

\* Of the £3.786m (2019: £2.626m) of commutations for lump sums for DC benefits, £1.850m (2019: £1.514m) related to lump sums paid to members as a part of their DB retirement, using their DC pot to enhance their lump sum.

\*\*Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling the tax liability.

## 8. Payments to and on account of leavers

	2020		
	DB £'000	DC £'000	Total £'000
State Scheme premiums	29	0	29
Refunds of contributions in respect of non-vested leavers	0	0	0
Individual transfers out to other schemes	7,417	6,168	13,585
	<b>7,446</b>	<b>6,168</b>	<b>13,614</b>

	2019		
	DB £'000	DC £'000	Total £'000
State Scheme premiums	0	0	0
Refunds of contributions in respect of non-vested leavers	0	7	7
Individual transfers out to other schemes	6,054	6,848	12,902
	<b>6,054</b>	<b>6,855</b>	<b>12,909</b>

## 9. Other payments

	2020		
	DB	DC	Total
	£'000	£'000	£'000
Premiums on term insurance policies	435	0	435

  

	2019		
	DB	DC	Total
	£'000	£'000	£'000
Premiums on term insurance policies	429	0	429

## 10. Administrative expenses

	2020		
	DB	DC	Total
	£'000	£'000	£'000
Administration and processing	517	65	582
Professional fees	832	120	952
PPF Levy	187	0	187
	<b>1,536</b>	<b>185</b>	<b>1,721</b>

  

	2019		
	DB	DC	Total
	£'000	£'000	£'000
Administration and processing	585	78	663
Professional fees	754	110	864
PPF Levy	223	0	223
	<b>1,562</b>	<b>188</b>	<b>1,750</b>

## 11. Investment Income

	2020	2019
	£'000	£'000
<b>Defined benefit section</b>		
Income from bonds	11,624	12,178
Income from pooled investments	12,253	16,289
Income from derivatives	8	0
Interest on repurchase agreements	(5,232)	(4,556)
Interest on cash deposits	296	11
	<b>18,949</b>	<b>23,922</b>

## 12. Investment Manager Expenses

	2020		
	DB £'000	DC £'000	Total £'000
	Administration, management and custody - charged	693	0
Administration, management - rebated	(518)	0	(518)
	<b>175</b>	<b>0</b>	<b>175</b>

  

	2019		
	DB £'000	DC £'000	Total £'000
	Administration, management and custody - charged	746	448
Administration, management - rebated	(999)	0	(999)
	<b>(253)</b>	<b>448</b>	<b>195</b>

The investment manager expenses presented in the DC section in 2019 relate to the charges met by members for their investments held with Aviva. From 1 September 2018, investment manager expenses are met by members for their investments held with Standard Life through their unit holdings and charges are not recognised separately.

The negative value for investment management charges for the defined benefit section reflects rebates to the Fund of charges levied by investment managers.

### 13. Fair value determination and hierarchy analysis

The investments have been analysed according to the basis on which the fair value has been determined. The basis of the fair value hierarchy is described in more detail below:

#### Level 1

The fair value is determined using unadjusted quoted prices in active markets for identical investments. The inputs to the valuation are transparent, easy to price and the market is liquid. Examples include exchange traded equities, exchange traded bonds, exchange traded derivatives and exchange traded funds.

#### Level 2

The fair value uses observable inputs that reflect the assumptions market participants would use in pricing the investment and based on market data obtained from sources independent of the reporting entity. These investments are moderately difficult to price and use some observable inputs. Examples include swaps, bonds valued on an average of broker prices and open ended pooled funds investing in investments that are observable in the market.

#### Level 3

The fair value inputs are unobservable and reflect the reporting entities own assumptions about the assumptions market participants would use in pricing the investment and based on the best information available. These investments are difficult to price, they lack a liquid market and it is difficult to verify inputs in the valuation. Examples include private equity, property, bespoke over the counter derivatives and closed pooled funds investing in these investments.

The Fund's investments have been analysed using the above hierarchy categories as follows:

	At 31 March 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Defined Benefit Section</b>				
Bonds	0	983,389	0	983,389
Equities	1	0	0	1
Pooled investment vehicles	0	504,350	0	504,350
Derivatives	0	(588,604)	0	(588,604)
Other investment balance	3,943	0	0	3,943
Cash	148,593	0	0	148,593
	<b>152,537</b>	<b>899,135</b>	<b>0</b>	<b>1,051,672</b>
AVC investments	<b>0</b>	<b>3,219</b>	<b>487</b>	<b>3,706</b>
<b>Defined Contribution Section</b>				
Pooled investment vehicles	0	167,650	370	168,020
	<b>0</b>	<b>167,650</b>	<b>370</b>	<b>168,020</b>
	<b>152,537</b>	<b>1,070,004</b>	<b>857</b>	<b>1,223,398</b>



At 31 March 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Defined Benefit Section</b>				
Bonds	0	1,035,311	0	1,035,311
Equities	2	0	0	2
Pooled investment vehicles	0	605,948	0	605,948
Derivatives	0	(663,191)	0	(663,191)
Other investment balance	3,349	0	0	3,349
Cash	58,851	0	0	58,851
	<b>62,202</b>	<b>978,068</b>	<b>0</b>	<b>1,040,270</b>
<b>AVC investments</b>	<b>0</b>	<b>3,811</b>	<b>530</b>	<b>4,341</b>
<b>Defined Contribution Section</b>				
Pooled investment vehicles	0	172,332	0	172,332
Cash in transit	0	0	0	0
	<b>0</b>	<b>172,332</b>	<b>0</b>	<b>172,332</b>
	<b>62,202</b>	<b>1,154,211</b>	<b>530</b>	<b>1,216,943</b>

## 14. Reconciliation of investments

	Value at 31.03.19 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31.03.20 £'000
<b>Defined benefit section</b>					
Bonds	1,035,311	278,573	(394,164)	63,669	983,389
Equities	2	0	0	(1)	1
Pooled investment vehicles	605,948	71,662	(141,321)	(31,939)	504,350
Derivative contracts	(663,191)	2,010,783	(1,933,047)	(3,149)	(588,604)
AVC investments	4,341	13	(542)	(106)	3,706
	<b>982,411</b>	<b>2,361,031</b>	<b>(2,469,074)</b>	<b>28,474</b>	<b>902,842</b>
Cash	58,851			(3,227)	148,593
Other investment balances	3,349				3,943
	<b>1,044,611</b>			<b>25,247</b>	<b>1,055,378</b>
<b>Defined contribution section</b>					
Pooled investment vehicles*	172,332	1,477,855	(1,468,645)	(13,522)	168,020
	<b>172,332</b>	<b>1,477,855</b>	<b>(1,468,645)</b>	<b>(13,522)</b>	<b>168,020</b>
<b>Total investments</b>	<b>1,216,943</b>				<b>1,223,398</b>

\*Included in purchases and sales is £1,458,105,000 lifestyle switches within Standard Life.

## 15. Transaction Costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Direct transaction costs include fees, commissions and stamp duty. During the year direct transaction costs were incurred through the Legal & General Buy and Maintain portfolio. Legal & General are unable to provide any detailed information therefore it has not been possible for the Trustee to quantify such direct transaction costs.

In addition to direct transaction costs, indirect costs are incurred though the bid-offer spread on investments within pooled investment vehicles and charges are made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

## 16. Pooled Investment Vehicles

As at 31 March 2020 the Fund's investments in pooled investment vehicles comprised:

<b>Defined Benefit section</b>	<b>2020</b>	<b>2019</b>
<i>Return Seeking Strategy</i>	<b>£'000</b>	<b>£'000</b>
Bonds	0	75,024
Equity	51,184	54,518
Structured Credit	85,111	100,007
Hedge Funds <sup>1</sup>	263	296
Diversified credit	117,523	134,350
Direct lending	175,976	159,815
Total return fund <sup>1</sup>	74,293	81,938
<b>Total</b>	<b>504,350</b>	<b>605,948</b>
<b>Defined Contribution section</b>		
<i>Default Funds</i>		
Bonds	19,731	18,299
Equity	4,672	6,363
Cash	3,969	2,922
Diversified growth <sup>1</sup>	138,243	143,345
<b>Total</b>	<b>166,615</b>	<b>170,929</b>
<i>Other Funds <sup>2</sup></i>	1,405	1,403
	<b>168,020</b>	<b>172,332</b>

<sup>1</sup> The funds hold a variety of investments including equities, bonds, derivatives and commodities.

<sup>2</sup> Other funds include a wide range of investments including sustainable investments and property.

Given the extreme market volatility and the current exceptional circumstances in the UK property market, Standard Life has taken the difficult decision to suspend all dealings in the Standard Life Property Pension on 18 March 2020 until further notice.

### 17.1 Derivatives

At 31 March 2020 the Fund had the following derivatives:

	<b>2020</b>		<b>2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Repurchase agreements	75,385	(663,857)	0	(663,191)
Futures	0	(3,963)	0	0
Swaps	3,831	0	0	0
	79,216	(667,820)	0	(663,191)

### 17.2 Repurchases

#### Repurchase agreements

During the year the Fund has entered into repurchase agreement using its UK gilts as the underlying security. The Fund retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date. The securities are included in the Financial Statements as assets of the Fund at their market value. At 31 March 2020 the market value of the securities sold under repurchase agreements was £601.0m (2019: £872.6m).

Cash received from counterparties in respect of the securities that have been sold has been used by the investment manager to increase its fixed income portfolio. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Financial Statements under investment liabilities. At 31 March 2020 this amounted to £588.4m (2019: £663.2m) plus accrued interest of £0.6m (2019: £1.7m).

#### Collateral on Repurchase agreements

At 31 March 2020 there was collateral pledged of £3.8m (2019: £29.0m) and collateral held of £22.2m (2019: £nil) against the difference in valuation between the underlying securities and the repurchases.

### 17.3 Futures

The Trustee did not want cash held to be “out of the market” and therefore bought exchange traded index based futures contracts which had an underlying economic value broadly equivalent to cash held.

Nature	Expiration	Exposure £'000	2020	
			Assets £'000	Liabilities £'000
Long Gilt Future	Less than 1 Year	(2,315)	0	(5)
Treasury Bond Future	Less than 1 Year	(3,321)	0	(248)
Ultra Bond Future	Less than 1 Year	(31,314)	0	(2,907)
10 Year Treasury Future	Less than 1 Year	(13,981)	0	(618)
10 Year Ultra Future	Less than 1 Year	(3,272)	0	(185)
		<b>(54,203)</b>	<b>0</b>	<b>(3,963)</b>

### 17.4 Swaps

The Trustee’s aim is to match as far as possible the fixed income portfolio and the scheme’s long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Nature	Expiration	2020	
		Assets £'000	Liabilities £'000
Interest rate swaps	2024-2044	3,831	0
		<b>3,831</b>	<b>0</b>

Included in bonds is collateral of £2.97m which has been pledged to the counterparty. At the year end the Scheme held £5.90m of collateral belonging to the counterparty. This collateral is not reported within the Scheme’s net assets.

### 18. Defined Benefit section AVC Investments

The Trustee hold assets invested separately from the main DB Section investments to secure additional benefits on a money purchase basis for those DB Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 31 March 2020 confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2020 £'000	2019 £'000
Utmost Life and Pensions	487	530
Standard Life Assurance Limited	3,219	3,811
	<b>3,706</b>	<b>4,341</b>

### 19. Defined Contribution Assets

For the DC section investments purchased by the Fund are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the trustee. The Fund administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Fund that relate to members leaving the Fund prior to vesting.

DC section AVCs are invested together with the other member funds. Investments allocated to members and the Trustee is as follows:

	2020 £'000	2019 £'000
Members	167,813	171,831
Trustee	207	501
	<b>168,020</b>	<b>172,332</b>

## 20. Concentration of investments

The following investments represented over 5% of the net assets of the Scheme:

Fund	2020		2019	
	£'000	%	£'000	%
Pimco Diversified Income Fund	71,967	5.9	85,924	7.0
Standard Life Corporate Bond Pension Fund	0	0	75,024	6.2
Partner Group Private Market Strategies Fund	70,172	5.7	19,502	1.6
Alcentra Clareant European Direct Lending Fund	74,502	6.1	89,405	7.3
Apollo Total Return Fund	74,294	6.1	81,937	6.7
Barings Investment Grade CLO Fund	85,111	7.0	100,007	8.2

## 21. Investment Risks

All investment business is conducted in accordance with the Statement of Investment Principles (SIP) prepared in accordance with Section 35 of the Pensions Act 1995 which includes the Trustee's investment policy on social, environmental and ethical investment considerations. The Trustee agreed that funds must be invested to obtain the best possible return for members, subject to an appropriate level of risk. Trustee policy regarding social, environmental and ethical investment issues is therefore that the extent to which these issues are taken into account in investment decisions is left to the discretion of the active investment managers. The Trustee does not consider it appropriate for the passive investment manager to take account of such issues in the selection, retention and realisation of investments.

The Trustee recognises that there are risks involved in the investment of the assets of the Fund, which it monitors on a regular basis and seeks to mitigate.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk comprises currency risk, interest rate risk and other price risk as follows:

- Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee's determine their investment strategy after taking advice from the investment adviser. The Fund has exposure to these risks because of the investments it makes in following the investment strategy. The Trustee's manage investment risks, including credit risk and market risk, within the agreed risk limits which are set taking into account the Fund's strategic investment objectives. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Fund.

### 21.1 DB Investment strategy

The investment objective of the Defined Benefit Section (DB Section) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due. This is combined with an objective of achieving returns in excess index linked gilts of 2.3%.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its SIP.

The current strategy for the DB Section is to hold:

- 53-65% in return seeking investments comprising UK and overseas equities and bonds, credit opportunities, direct lending, diversified credit, bond funds, swaps and cash and is expected to generate higher returns and cash flows than would be obtained solely from government bonds and hedge funds (2019: 75-81%).
- 35-47% in investments that move in line with the long-term liabilities of the Fund (2019: 19-25%). This is a Liability Driven Investment (LDI) strategy, which comprises of UK government bonds and corporate bonds, as well as derivative instruments. The LDI and Buy & Maintain Credit aim to hedge 94% of interest rate and inflation risk of the long-term liabilities of the Fund.

As at 31 March 2020 the DB Section held 48.2% of its portfolio in return seeking investments (2019 - 60%) and 51.8% in liability matching assets (2019 - 40%). See notes 11 and 13 for further details of the investments held at the start and end of the year.

These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular quarterly reviews of the investment portfolio. If, during the quarterly review, an asset class or investment manager exceeds their asset allocation weighting, the Trustee will decide whether to rebalance the portfolio of assets at that time.

### 21.1.1 Other Price Risk

Other price risk arises principally in relation to the Fund's return seeking portfolio. As at 31 March 2020, as detailed in the Statement of Net Assets 50% (2019 - 60%) of the portfolio was held in the return seeking portfolio, based on the fair value of the investments. Other price risk varies depending on the particular market and arises on equity funds, hedge funds and private equity within the portfolio, as shown in note 16.

The fund has set a target asset allocation of 53-65% of assets in return seeking investments. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

### 21.1.2. Interest Rate Risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in directly held bonds, credit opportunities funds, diversified credit funds, cash and use is made of repurchase agreements. Under this strategy, if interest rates fall, the value of liability driven investments will rise to help match the increase in actual liabilities arising from a fall in the discount rate. Similarly, if the interest rates rise, the liability driven investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Fund has set a target asset allocation of 18-26% of assets in the LDI matching strategy and 17%-21% in Buy & Maintain Credit strategy. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

As at 31 March 2020 the liability matching portfolio represented 50% (2019 - 40%) of the total investment portfolio based on the fair value of the investments. This variance from the target asset allocation is due to the delay in finalising the 2019 Actuarial Valuation and consequently a final review of the investment strategy has been delayed.

	2020 £'000	2019 £'000
Fixed interest gilts	309,913	428,368
Index linked gilts	503,460	606,942
Repurchase and agreements	(588,472)	(663,191)
Corporate bonds	168,715	-
UK gilts	4,887	-
Interest Rate Swaps	3,831	-
Cash and other balances	118,880	53,990
	<b>521,214</b>	<b>426,109</b>

The fund is subject to interest rate risk in the return seeking strategy classes as is shown in note 16 with the exception of equities.

### 21.1.3. Inflation Risk

The Fund currently holds indexed linked gilts to manage inflation risk associated with pension liability. The Fund has set a target asset allocation of 35-47% of investments in its liability matching strategy. The inflation risk strategy is fully implemented, hedging the impact of interest rate and inflation movements on 94% of the long term liabilities of the Fund (2019 – 94%).

As at 31 March 2020 the liability matching portfolio represented 50% (2019 - 40%) of the total investment portfolio based on the fair value of the investments. The detailed breakdown and constituents of the LDI and Buy & Maintain Credit portfolios are provided under the Interest Rate Risk disclosure section.

### 21.1.4. Currency Risk

The Fund is subject to indirect currency risk because some of the Fund's sterling priced pooled investments vehicles and the Fund's segregated Buy & Maintain Credit Portfolio hold assets denominated in foreign currencies. The Fund holds investments in emerging markets equities, world equities and overseas credit pooled investments vehicles as shown in note 16. Currency risk is accepted where this facilitates overseas investments, taking into account the risks and the expected reward.

### 21.1.5 Credit Risk

The Fund uses LDI and Buy & Maintain Credit Portfolios and is subject to direct credit risk arising from bonds directly held and derivatives. Government bonds are held to help control the overall credit risk and collateral is posted to cover gains and losses on the derivatives (hence minimising the exposure to the counterparty's credit).

The Fund invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

The Fund's holdings in pooled investment vehicles are unrated. Indirect credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager with the assistance of the investment consultant.

Pooled investment arrangements used by the Fund comprise units in open ended credit investment funds of £157.1m (2018: £277.1m), shares in limited partnerships of £250.3m (2018: £149.3m), Irish qualifying investor alternative funds £45.6m (2018: £49.0m), unit linked insurance funds £51.2m (2018: £257.4m).

Credit risk arising on other investments, such as cash balances held by investment managers, is mitigated by investment mandates requiring all counterparties to be investment grade and diversifying counterparties and this is the position at 31 March 2019 and at the comparative year end due to the nature of the investments.

The Trustee receives regular reports from their fund managers and investment managers confirming whether the agreed guidelines have been adhered to.

## 21.2 DC Section

The key investment objective is to facilitate the accumulation of each Member's individual Personal Account in a portfolio of secure assets of appropriate liquidity via unitised funds selected by the Member.

The Trustee wishes to give each Member a reasonable degree of freedom over the choice of investment funds for the accumulation of their Personal Account and, having taken appropriate advice, has made a range of unitised investment funds available. The choice of funds is designed to ensure that Members have sufficient flexibility to invest in funds of their choice in a manner that is consistent with their personal circumstances.

The Fund provides investment options sourced through an insurance policy with Standard Life, the platform the Fund uses and through which a number of different white labelled funds and direct investment manager funds can be accessed as follows:

- equity
- property
- bonds
- sustainable investment
- cash
- diversified growth.
- 

The Trustee monitors the underlying risks by quarterly investment reviews with its DC Section investment adviser.

The range of investment options is reviewed by the Trustee periodically to ensure their continued suitability.

### 21.2.1 Direct credit risk

The DC Section is subject to direct credit risk in relation to Standard Life through its holding in unit linked insurance funds provided by Standard Life. Standard Life is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Standard Life by reviewing published credit ratings. Standard Life invests all the Fund's funds in its own unit linked investment funds. In the event of default by Standard Life the Fund is protected by the Financial Services Compensation Scheme.

### 21.2.2 Indirect credit and market risk

The DC Section is subject to indirect credit and market risk arising from the underlying investments held in the unit linked investment funds managed by Standard Life. Member level risk exposures will be dependent on the funds invested in by members.

At the Fund year end the bond, cash and diversified growth funds were exposed to underlying credit risk. The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

The majority of the Fund's members invest in the default funds, overall the default funds represent 95.6% (2019: 94.5%) of the Fund's investments. The risk disclosures have therefore focussed on these funds. The Fund's DC default funds are subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the following funds:

- The equity funds are exposed to foreign exchange and other price risks.
- The bond funds are exposed foreign exchange and interest rate risk.
- The cash funds are exposed to foreign exchange and interest rate risk.
- The diversified growth funds are exposed to foreign exchange risk, interest rate risk and other price risk.

## 22. Capital Commitments

The Fund has the following capital commitments to be made in instalments up until the commitment date:

Investment Manager	Date Commitment due	Commitment Remaining
Partners Group	30/09/2020	£25m

## 23. Current Assets

	2020		
	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	2,373	340	2,713
Contributions	81	0	81
Sundry debtors	136	92	228
	<b>2,590</b>	<b>432</b>	<b>3,022</b>

  

	2019		
	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	3,093	445	3,538
Contributions	82	0	82
Sundry debtors	134	92	226
	<b>3,309</b>	<b>537</b>	<b>3,846</b>

Included in the bank balance is £176,063 (2019 £nil) which is not allocated to members.

All contributions receivable relate to the month of March 2020 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

## 24. Current Liabilities

	2020		
	DB Section £'000	DC Section £'000	Total £'000
Lloyds Register Group	71	0	71
Benefits Payable	329	139	468
Due to HMRC	436	0	436
Accrued expenses	536	0	536
	<b>1,372</b>	<b>139</b>	<b>1,511</b>

  

	2019		
	DB Section £'000	DC Section £'000	Total £'000
Lloyds Register Group	50	0	50
Benefits Payable	68	445	513
Due to HMRC	483	0	483
Accrued expenses	350	83	433
	<b>951</b>	<b>528</b>	<b>1,479</b>

## 25. Employer related investments

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

## 26. Related party transactions

Lloyd's Register Group Ltd, who are the Fund's sponsoring employer, provides the Fund with Administrative services and the Fund makes a contribution to Lloyd's Register Group Ltd towards the costs of these services. This amounted to £240,000 for the year ended 31 March 2020 (2019: £240,000). The sponsoring employer also pays certain costs on behalf of the Fund, including the monthly pensioner payroll, which is subsequently reimbursed by the Fund. The balance due from the Fund to the sponsoring employer at the year end is shown in note 24.

5 members of the Board of the Trustee are contributing members of the Fund and contributions are paid in accordance with the Schedule of Contributions whilst 1 member of the Board is in receipt of a pension from the scheme. Mr Nicholas Godden was appointed in October 2014 at a fee of £50,000 per annum. The total sum paid during the year ended 31 March 2020 was £50,500 (2019: £50,500). The total amount due to Mr Nicholas Godden was £50,500 (2019: £50,125).



## **27. Taxation**

The Fund is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

## **28. GMP Equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Fund is aware that the issue will affect the Fund and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the Financial Statements and therefore have not included a liability in respect of these matters in these Financial Statements. They will be accounted for in the year they are determined.

## **29. Subsequent events**

At the time of approval of the Financial Statements, issues arising from the Covid-19 pandemic continue to develop and there has been an impact on investment values post year-end. This impact has been partially mitigated due to the use of liability matching assets. The Trustee is continuing to monitor the situation and has confirmed that there is no impact on the fair value of the assets at the year end.

### 33. Independent auditor's statement about contributions to the Trustee of the Lloyd's Register Superannuation Fund Association

#### Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Lloyd's Register Superannuation Fund Association, for the Fund year ended 31 March 2020 which is set out in the Trustee's Report on page 45.

In our opinion contributions for the Fund year ended 31 March 2020 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Fund actuary on 30 June 2017.

#### Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions.

#### Responsibilities of trustees

As explained more fully in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions.

#### Auditor's responsibilities for the statement about contributions

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

#### Use of our statement

This statement is made solely to the Fund's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

*[Signature redacted]*

**Crowe U.K. LLP**  
Statutory Auditor  
London

Date 23 September 2020 .....

## 32. Summary of Contributions

During the year ended 31 March 2020 the contributions payable to the Fund under the Schedule of Contributions were as follows:

	DB Section £'000	DC Section £'000	Total £'000
Employer Normal Contributions	0	16,680	16,680
Employer Deficit Funding Contributions	8,130	0	8,130
Operating Expenses	800	0	800
Survivors' Pension	172	0	172
Bonus Waiver	0	409	409
Employee Normal Contributions	0	816	816
Employee Additional Voluntary Contributions	13	0	13
Employer Contributions in respect of PPF Levies	187	0	187
Insurance	435	0	435
<b>Total Contributions under Schedule of Contributions</b>	<b>9,737</b>	<b>17,905</b>	<b>27,642</b>
<b>Total Contributions per page 30 of the Financial Statements</b>	<b>9,737</b>	<b>17,905</b>	<b>27,642</b>

9/16/2020

Approved on ..... on behalf of the Trustee by:

*[Signature redacted]*

.....  
 Director  
 Lloyd's Register Superannuation Trustees Limited

*[Signature redacted]*

.....  
 Director  
 Lloyd's Register Superannuation Trustees Limited