

Pensions Newsletter 2019

For Active Members of the Defined Benefit (DB) and Defined Contribution (DC) Section of the Lloyd's Register Superannuation Fund Association (LRSFA)

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Chair's welcome

Welcome to your annual newsletter.

Inside we've provided information about the Scheme's activity over the last year and general news from the world of pensions. As always, we give an update on the LRSFA's finances, which you can read more about on pages 6 -11.

Earlier this year, the Pensions and Lifetime Savings Association (PLSA) launched the Retirement Living Standards. They provide you with a benchmark for how much income you might need in retirement. Read more on page 3.

I hope you enjoy reading your newsletter – the Trustee Board is always keen to ensure that you stay up to date with the latest developments. If you would like to share any feedback with us, please get in touch using the details on the back page.

Nicholas Godden
(Trustee Board Chairman)



Have you set a retirement income target?

The Pensions and Lifetime Savings Association (PLSA) has launched the Retirement Living Standards. These are designed to help pension savers picture what life might be like in retirement and work out how much money they might need.

The PLSA carried out the research with Loughborough University. Together with focus groups of pension savers, they examined all kinds of goods, services and activities that people typically buy or partake in when they retire. By adding together the typical costs for all these things, they were able to arrive at three standards – a minimum lifestyle, a moderate lifestyle and a comfortable lifestyle. You can see the figures in the table below.

Standard	If you're single/living alone (income each year)	If you're in a relationship/cohabiting (joint income each year)
Minimum	£10,200 £12,400 if you live in London	£15,700 £19,800 if you live in London
Moderate	£20,200 £24,100 if you live in London	£29,100 £33,300 if you live in London
Comfortable	£33,000 £36,300 if you live in London	£47,500 £49,500 if you live in London

The minimum standard would cover all your needs, and you'd have a small amount left over for social activities. Under the moderate standard, you'd be able to afford some luxuries. The comfortable standard would give you lots of flexibility with how you could spend your money.

Find out more about the Retirement Living Standards

Explore what the standards look like in reality, at retirementlivingstandards.org.uk

When you know which standard you'd like to aim for, you can use Standard Life's modellers to see if you're on track. Visit pensionport.co.uk/activedeferred/modellers. Remember to consider all your sources of retirement income, including the State Pension and your LRSFA benefits.



Scheme news

Catch up on all the latest news about the Scheme.

Brexit update

As you'll all be aware, there is still a great deal of uncertainty about Brexit. Please be assured that the Trustees monitor developments closely, and their top priority is ensuring that your benefits are safe. Remember, pensions are long-term investments, designed to recover from short-term changes in investment performance. Neither the Trustees nor the Company can give you advice about your pension.

If you are concerned about Brexit and your pension, please speak to a financial adviser – you can find one at **unbiased.co.uk**

The Pension Port

The Pension Port is a great way to find out everything you need to know about the DC and DB sections of the LRSFA. On the site you can find out about joining the DC Section, explore what your future may hold with Standard Life's modellers, and access your account with Standard Life, through which you can review your contributions and investment choices, change your contribution levels, and much more.

Visit the Pension Port at **lrpensionport.co.uk**

Modellers

Standard Life has a number of useful online modellers that you can use to help you understand what the future may look like when you retire.

- The Pensions Calculator allows you to check whether your savings are on track for the retirement income you're aiming for and to see what your overall pension might look like.
- The Retirement Calculator helps you understand the options available for taking your pension pot and how you could boost it.

Visit **lrpensionport.co.uk/activedeferred/modellers** to find the full range of modelling tools.

Pensions news

Stay up to date with the latest news from the world of pensions.

Annual Allowance and Lifetime Allowance

The Annual Allowance (AA) is the maximum amount you can pay into your pension(s) in a single year with no extra tax charge. For the 2019/20 tax year, this is £40,000. The AA may be lower for those earning around £110,000 or more a year, or anyone already accessing pension benefits.

The Lifetime Allowance (LTA) is the maximum amount of savings you can pay into your pension(s) in your lifetime with no extra tax charge. For the 2019/20 tax year, the LTA is £1,055,000.

Find out more at
[gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

State Pension Age

The current State Pension Age is 65 for both men and women. However, it is under constant review and will change over the coming months and years, with the current timetabled rises set to end in 2046.

To find out exactly when you'll qualify for the State Pension, head to
[gov.uk/state-pension-age](https://www.gov.uk/state-pension-age)

Pension scams – be aware

To help combat pension scams, in January 2019, the Government introduced a ban on pensions cold calling. This means that any unsolicited calls about your pension are now illegal.

Scammers may:

- Claim they are Financial Conduct Authority (FCA) authorised, or that they don't need to be FCA authorised because they're not providing direct financial advice;
- Claim to be acting on behalf of the FCA or the Government;
- Claim that transferring your pension pot to them (or releasing some funds from it) is a financially sound idea.

To avoid getting scammed:

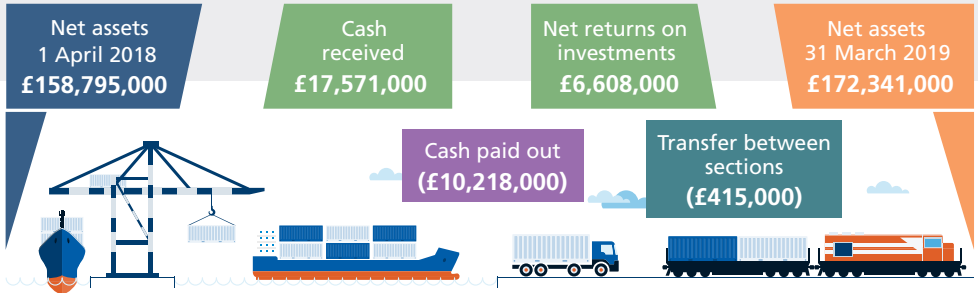
- Always reject any unexpected offers;
- Always double check who you're talking to; and
- Don't let yourself be rushed or pressured into making a decision.

You can find further information on how to avoid pension scams at
[fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart)



DC financials

The figures below show how the assets held in the DC Section have grown over the past year and their overall value as at 31 March 2019.



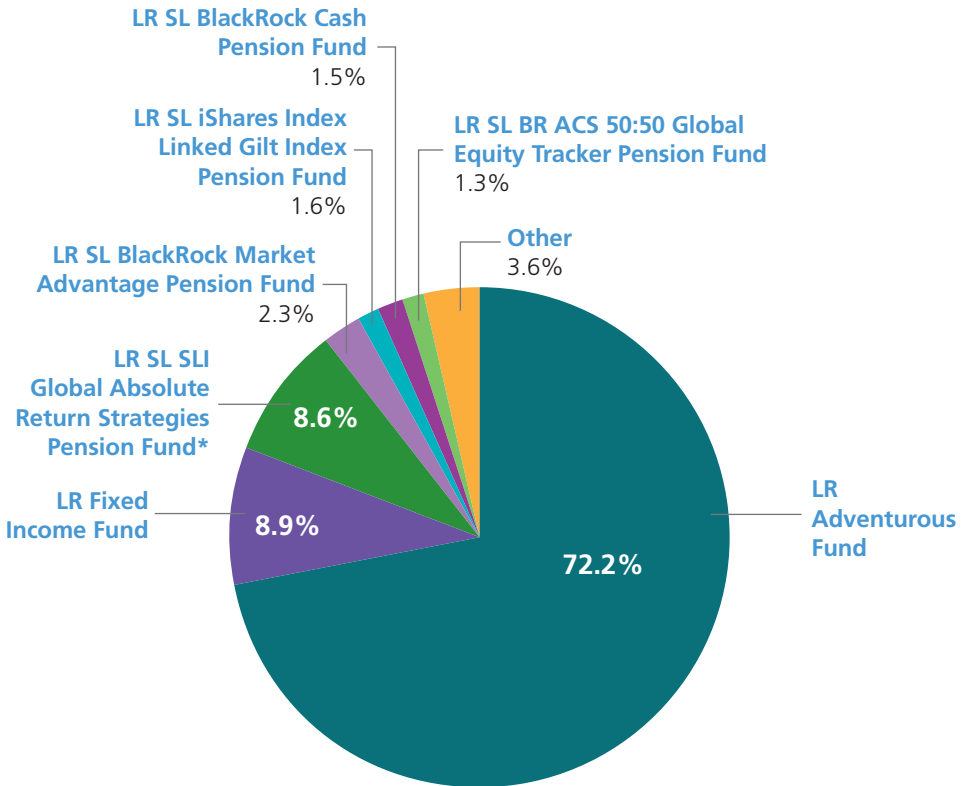
£000s

Net assets of the DC Section as at 1 April 2018:	158,795
Cash received	
Contributions	17,132
Transfers in	245
Other income	194
Total	17,571
Cash paid out	
Benefits paid or payable	(3,175)
Administration expenses	(188)
Leavers	(6,855)
Total	(10,218)
Returns on investments	
Investment income	0
Change in market value of investments	7,056
Investment management expenses	(448)
Net returns on investments	6,608
Net increase in the fund over the year (income minus expenditure)	13,961
Transfer between sections	(415)
Net assets of the DC Section as at 31 March 2019:	172,341

Brackets indicate minus numbers.

DC investments

The funds containing more than 1% of members' assets in the DC Section are shown in the pie chart.

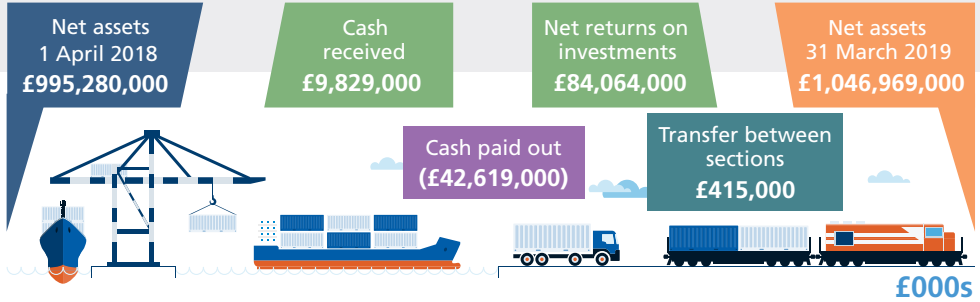


The default investment strategy ('Lifestyle') has been set up to seek better protection for member savings against a wider range of risks as they approach retirement, no matter how and when members plan to take their savings. The switching period now starts from 20 years out from selected retirement age. The new default is called Flexible Retirement Strategy. More information can be found on the website lrpensionport.co.uk

*The chart above shows the fund allocation at 31 March 2019 and this fund is no longer available. For a full list of funds please see the LRSFA Investment Guide in the Document store at lrpensionport.co.uk

The DB financials

The figures below show how the assets held in the DB Section have grown over the past year and their overall value as at 31 March 2019.



Net assets of the DB Section as at 1 April 2018:	995,280
Cash received	
Contributions	9,828
Other income	1
Total	9,829
Cash paid out	
Benefits paid or payable	(34,574)
Administration expenses	(1,562)
Leavers	(6,054)
Other payments	(429)
Total	(42,619)
Returns on investments	
Investment income	23,922
Change in market value of investments	59,889
Investment management expenses	253
Net returns on investments	84,064
Net increase in the fund over the year (income minus expenditure)	51,274
Transfer between sections	415
Net assets of the DB Section as at 31 March 2019:	1,046,969

Brackets indicate minus numbers.

DB investments

As at 31 March 2019, the balance of the assets of the DB Section at market value was:

Asset Class	% of portfolio
Bonds and Equities	40.66
Pooled Investment Vehicles	58.03
Cash on Deposit	0.93
AVC Investments	0.38
Total	100

The LRSFA's DB Section investments performed well during the year, with the return remaining ahead of inflation. All managers met or exceeded their benchmark, with the fund's credit managers adding value materially above their benchmarks. More detailed information about the DB Section's investments is available in the Statement of Investment Principles, which is in the 2019 Trustee Report and Financial Statements. You can find this in the Document store at lrpensionport.co.uk

Membership figures as at 31 March 2019

Following the closure of the DB Section to future accrual on 30 September 2010, employees now build up benefits in an alternative pension arrangement known as the DC Section. The graphic below shows the combined membership figures of both the DB and DC Sections of the LRSFA.

Members in service*



Deferred members**



Pensioners



Dependants



In addition, allowances were paid to seven children (13 in 2018).

*'Members in service' includes 260 (296 in 2018) members who have protected past service rights under the LRSFA following the closure of the DB Section in 2010.

**'Deferred members' includes 2,147 (2,113 in 2018) members who have protected past service rights under the LRSFA following the closure of the DB Section in 2010.

Summary funding statement

Updates on the last valuation and the most recent funding update.

A full actuarial valuation was carried out as at 31 March 2019. The analysis of the Scheme's financial position is still ongoing, with the results expected in early 2020. A summary of the results of the previous valuation, as at 31 March 2016, compared with the most recent funding update as at 31 March 2018, is shown on the next page.

What is an actuarial valuation?

An actuarial valuation is a detailed financial review of the Scheme. It compares the Scheme's assets with its liabilities to determine whether the Scheme is appropriately funded. The Actuary will estimate the total value of pension payments that may be made in the future (the liabilities), as well as how much the Scheme's assets might grow. If the liabilities are more than the assets, the Scheme is said to be in deficit, and its funding level will be less than 100%. If the assets outweigh the liabilities, the Scheme is said to be in surplus, and its funding level will be 100% or more.

Why is it important?

The actuarial valuation ensures that the DB Section is performing as it should be. If there is a deficit in the DB Section's funding level, the Trustee and the Company will agree a Recovery Plan, which often involves increasing the Company's contributions. A Recovery Plan was put in place after the 2016 valuation and it will be updated if the deficit remains.

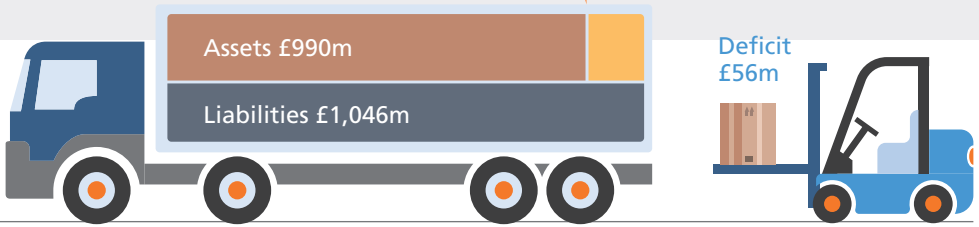
Jargon buster

- Assets:** The total money held in the DB Section, built up from Company and member contributions and investment returns.
- Liabilities:** The estimated cost of providing benefits earned to date by members.
- Deficit:** When there are not enough assets to cover the liabilities of the DB Section.



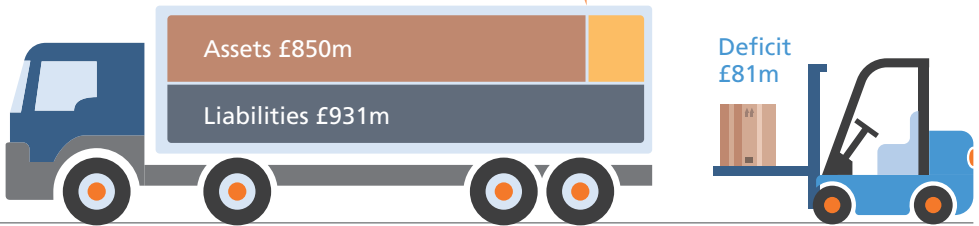
31 March 2018

Funding level 95%



31 March 2016

Funding level 91%



Wind-up position

The Trustee is required by law to let you know what would happen if the Scheme were to 'wind up' – it does not mean there is any intention of winding up the LRSFA. The last valuation as at 31 March 2016 concluded that the estimated amount needed to ensure that all members' benefits could have been paid in full if the LRSFA had wound up was £1,270 million, compared with the combined DB and DC assets of £850 million. If Lloyd's Register became insolvent and was unable to cover the shortfall, part of the benefits due to members would be paid by the Pension Protection Fund (PPF) as compensation. However, it is possible for the compensation to be less valuable than the benefits that would have been paid by the LRSFA. To obtain this protection for members, the LRSFA pays an annual levy to the PPF. The PPF levy is payable by all DB pension schemes in the UK whose members would be eligible for compensation if the scheme wound up. You can find more information about the PPF at pensionprotectionfund.org.uk

**Find out more information
about the LRSFA:**

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