



Lloyd's Register

Pensions Newsletter

For Deferred and Pensioner members of the Defined Benefit (DB) Section
of the Lloyd's Register Superannuation Fund Association (LRSFA)

2023

Inside this issue

Company update
Update on the Scheme's finances
Changes to pension tax allowances

Working together for a safer world



Chair's welcome

Welcome to your annual newsletter for 2023

In this edition you'll find an update on the Scheme's finances, as well as news from the Scheme and the world of pensions. On pages 3 to 4 you can also read the latest Company update, including how it has performed in 2022.

Recent news from the world of pensions includes the rise in the national minimum retirement age. We also have an update on the changes the government announced to the Annual Allowance and Lifetime Allowance in the 2023 Spring Budget. You can read more about these topics on pages 9 to 11.

The cost-of-living crisis in the UK deepened in 2022, and was made worse by market turmoil resulting from the Government's Autumn Mini-budget. We would like to assure you that the Trustee has continued to monitor the effect that the rising rate of inflation and market instability could have on your savings. We'd like to remind you that the value of your DB pension is secure, as the Company bears any investment

risks. This means that the value of your pension will not fluctuate with any movements in the value of the Scheme's investments.

Despite the cost-of-living crisis, please be assured that the payment of pensions to our retired members will not be interrupted. Throughout the past two years, all pensions have been paid as normal, and this will continue regardless of any further uncertainty.

If you have any questions about your pension benefits, please contact XPS, the Scheme's administrator. You can get in touch with them using the contact details on the back page.

I hope you enjoy reading this year's 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 don't hesitate to get in touch using the details on the back page.

Nicholas Godden
Trustee Board Chair

Company update

Chief Executive Officer Nick Brown provides a round-up of the latest Company news

Our transformation continues

Lloyd's Register's sharpened focus on serving the needs of our maritime clients is making great progress. Our goal is to be the trusted advisers of choice on compliance, performance and sustainability in the maritime industry and the wider ocean economy.

Business performance

During the financial reporting period from July 2021 to June 2022, LR Group's statutory operating loss was £9m, with an adjusted operating profit of £38m. This compares to a pro forma performance for the 12 months to June 2021 of £75m, pro forma presented because of the previous shortened reporting period.

Turnover was £569m compared with the previous pro forma figure of £781m. The reduced figures are mostly due to the divestment during the reporting period of the Business Assurance and Inspection Services business line, which reduced the number of colleagues from 6,084 to 4,620.

LR Group's contribution to the LR Foundation increased from £3m in the previous reporting period to £7m during this reporting period.

Our strategy for growth

Our F.I.T. to Grow strategy (Focus, Invest, Transform) is bringing commercial benefits. We gained share of the world's fleet for both new construction and existing vessels, and achieved our best net transfer of class (TOC) results in eight years, with significant wins with Maersk and Zodiac.

A series of acquisitions has continued our journey to become a company that puts our clients at the heart of all we do, driven by digital solutions. We have our strong base of 8,000 vessels and assets that receive compliance services through our classification business. Our digital maritime solutions offerings were boosted by our acquisition of OneOcean, a leading maritime platform for digital voyage compliance, with 16,000 vessels using its voyage planning, safety and environmental products. Our digital fleet management and vessel performance solutions were further enhanced through our investments in Hanseaticsoft and i4 Insight, with 6,000 vessels using these products.

Our historic brand, an icon in the industry, was refreshed to a more modern, dynamic identity to reflect our transformation in the minds of clients, colleagues and stakeholders.



Our strategy for growth means we have the capability to move from the compliance of the vessel to the compliance of each voyage, and from that to the optimisation of each voyage.

Our people

Having shown great resilience during the COVID-19 pandemic, we continued to adapt, promoting a hybrid working model of home, office and on-site working, with positive feedback from colleagues. A range of employee representative groups was established, organised around diversity categories such as gender, ethnicity and LGBTQIA+.

LR launched a global fundraising appeal for employees to assist with the humanitarian response to the conflict in Ukraine with a pledge to match employee donations.

A decade of collaboration

Our shareholder, Lloyd's Register Foundation, celebrated its tenth anniversary. Together, we are collaborating on innovation and research that is improving maritime safety and sustainability.

The Safetytech Accelerator is the first fully dedicated technology accelerator focused on industrial safety and risk. The LR Maritime Decarbonisation Hub continues to produce groundbreaking research into safe, sustainable pathways to a zero-carbon maritime industry.

Our future

For more than 260 years, Lloyd's Register has focused on the safety and environmental performance of ships but has had limited exposure to vessel operations. Our strategy for growth means we have the capability to move from the compliance of the vessel to the compliance of each voyage, and from that to the optimisation of each voyage. This is creating a range of opportunities and we look forward with confidence.



Summary Funding Statement

Results of the latest valuation and funding update

The most recent full actuarial valuation was carried out as at 31 March 2019. The results from the 31 March 2022 full actuarial valuation are due to be published later this year, so we will send out a separate Summary Funding Statement when this is ready. The results of the 2019 full valuation are given below.

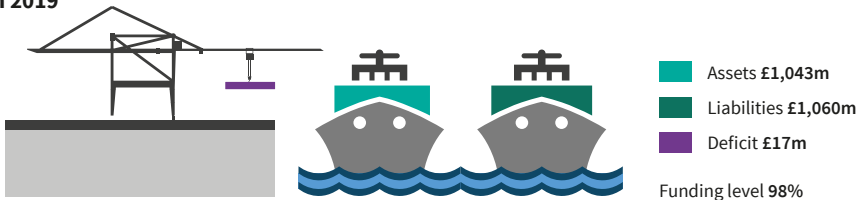
What is an actuarial valuation?

An actuarial valuation is a detailed financial review of the Scheme. It compares the Scheme's assets with its liabilities to determine the Scheme's funding level. The Actuary will estimate the total value of pension payments that may be made in the future (the liabilities – see page 6 for more information), as well as how much the Scheme's assets might grow. If the liabilities are greater than the assets, the Scheme is said to be in deficit, and its funding level will therefore be less than 100%. If the assets outweigh the liabilities, the Scheme is in surplus, and its funding level is therefore more than 100%.

Why is it important?

The three-yearly actuarial valuation and the annual funding updates help to ensure that the DB Section is performing as it should be. As there was a deficit in the DB Section's funding level at the last full valuation in 2019, the Trustee and the Company agreed a Recovery Plan. Under the Recovery Plan, the Company paid £8.1m into the LRSFA in March 2020, and a further £5.2m in March 2021. These additional payments into the LRSFA have eliminated the deficit and returned the Scheme to a fully-funded position.

31 March 2019





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 to members.

Deficit: When there are not enough assets to cover the liabilities of the DB Section.

Surplus: When there are enough assets to cover all the liabilities.

Wind-up position

We are required by law to let you know what would happen if the Scheme were to wind up. This does not mean there is any intention of winding up the LRSFA. The last full valuation as at 31 March 2019 concluded that, if the Scheme were to wind up, the Company would have to have made an additional contribution of around £214 million to ensure an insurance company could pay all members' pensions in full. If Lloyd's Register became insolvent, and was unable to cover the shortfall, the Pension Protection Fund (PPF) would pay part of the benefits due to members as compensation.

You can find more information about the PPF at ppf.co.uk

What else do you need to know?

We have to let you know that, in the last 12 months:

- There haven't been any payments from the LRSFA to the Company.
- The Pensions Regulator (TPR) hasn't modified or used any of its powers in relation to the Scheme.

The financials

The figures below show how the assets of the DB Section have changed over the past year, and their overall value as at 31 March 2022

	£000s
Net assets of the DB Section as at 1 April 2021:	1,085,294
Cash received	
Contributions	13,516
Other income	160
Total	13,676
Cash paid out	
Benefits paid or payable	35,879
Administration expenses	1,406
Leavers	5,259
Other payments	332
Total	42,876
Returns on investments	
Investment income	47,140
Change in market value of investments	(21,998)
Investment management expenses	(987)
Net returns on investments	24,155
Net increase in the fund over the year	(5,045)
Transfer between sections	1,085,294
Net assets of the DB Section as at 31 March 2022:	1,080,249

Brackets indicate minus numbers.

Scheme membership

Membership figures at 31 March 2022

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
2021	1,432	3,633	1,707	460
2022	934	4,146	1,719	490

In addition, allowances were paid to 2 children (four in 2021).

* 'Members in service' includes 118 (199 in 2021) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

** 'Deferred members' includes 2,204 (2,157 in 2021) members who have protected past service rights under the fund following the closure of the DB Section in 2010.



Scheme news

GMP equalisation

In 2018, the UK High Court ruled that changes to the way Guaranteed Minimum Pensions (GMPs) are treated were necessary – this is known as ‘GMP equalisation’.

To start equalising affected members’ pensions, the Trustee needs to conduct a series of complex calculations and reviews. The work has been ongoing over the past year, and more attention is needed to ensure that members receive fair and correct equalisations. If you are affected by this process, the Trustee will write to you in the future.

Upcoming changes to the minimum retirement age

Legislation published in the Finance Bill 2021-22 lays the groundwork for an increase in the UK minimum retirement age from 55 to 57 in 2028. This means that, if the bill is approved, the age at which you could begin to access your pension pot without incurring any additional tax charges will rise.

If you are planning to retire between the ages of 55 and 57, and are set to do so around 2028, you can seek impartial advice or information from Unbiased at [unbiased.co.uk](https://www.unbiased.co.uk) or from the Government’s MoneyHelper website at [moneyhelper.org.uk](https://www.moneyhelper.org.uk)

SIP and Implementation Statement now available

For the most up-to-date Statement of Investment Principles and Annual Implementation Statement, visit the Document store today at [lrpensionport.co.uk](https://www.lrpensionport.co.uk)

There, you can also find useful information about your pension, including calculators to help you plan your retirement, more detailed information about the Scheme’s finances, and further help and guidance about your pension.





Pensions news

2023 Spring Budget announcements

Abolition of the Lifetime Allowance and raising of the Annual Allowance

In the 2023 Spring Budget, Chancellor Jeremy Hunt announced that the Annual Allowance (AA) would be raised, and the Lifetime Allowance (LTA) would be abolished, but what exactly does this mean and how could it affect you?

Annual Allowance

The AA is the maximum amount that you can save into all your pension arrangements (excluding the State Pension) each tax year without having to pay an additional tax charge. The AA is updated from time to time so it's important to make sure you know the limits if you wish to avoid facing additional tax charges.

For the 2023/24 tax year, the AA is £60,000. This means that if the annual increase in your pension benefits is more than £60,000 you will have to pay a separate tax charge.

If you are a high earner you may be affected by the Tapered AA. With effect from 6 April 2023, the taper will reduce the Annual Allowance for those with earnings (including employer pension contributions) over £260,000. If this applies to you, your Annual Allowance will be reduced by £1 for every additional £2 you earn, down to a minimum of £10,000.

Lifetime Allowance

Up until April 2023, the LTA charge was in place. If the value of your benefits exceeded the allowance, there was a tax charge on the excess, taken by your pension provider before you started to receive your pension. The LTA tax charge was reduced to zero from April 2023, and the LTA will be abolished completely from April 2024. Please keep in mind that, for most people, the amount you can take as your tax-free entitlement will stay at 25% of the previous LTA limit of £1,073,100.

For more information about pension tax allowances, visit [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

Stay vigilant

The new halting powers can help the Trustee protect you should you attempt to transfer your benefits in the Scheme to an illegitimate pension arrangement or to a scammer.

It's illegal for anyone to make unsolicited contact with you about your pension. Please be vigilant and report any company or person breaking these rules to the Financial Conduct Authority (FCA) at [fca.org.uk/consumers/report-scam-unauthorised-firm](https://www.fca.org.uk/consumers/report-scam-unauthorised-firm)

Scammers often appear to be highly knowledgeable about pensions, investment rates, and even specific schemes. **To help you avoid getting scammed, follow these four steps:**

1 Reject all unexpected offers.

2 Double check who you're dealing with. Always ask for ID if someone's at your door, and remember to research the company anyone claims to be working for.

3 Don't feel rushed or pressured into making any decisions.

4 Seek impartial information or advice before making any changes to your funds or investments by visiting [unbiased.co.uk](https://www.unbiased.co.uk)

Do you know how much you'll need to live on when you retire?

It's good to have a target in mind when saving for retirement, but do you know how much that should be? The Pensions and Lifetime Savings Association (PLSA) wants to help everyone achieve a better income in retirement. To do this, they've developed the Retirement Living Standards to help people picture what kind of lifestyle they could have in retirement. Earlier this year, the Standards were updated to more accurately reflect the impact the rising cost of living is having on people's lives.

The PLSA has set out three living standards:

- **Minimum** – covers all your needs, with some left over for fun
- **Moderate** – More financial security and flexibility
- **Comfortable** – More financial freedom and some luxuries

The Retirement Living Standards also give you an idea of how much you'll need a year if you're single or living as a couple.

Single

£37k
Comfortable

£23k
Moderate

£13k
Minimum

Couple

£55k
Comfortable

£34k
Moderate

£20k
Minimum





If you have any queries about your pension, please contact XPS using the details below. For any urgent queries, please contact the Lloyd's Register Group Pensions Department.

Find out more about the LRSFA:

XPS Pensions Group

3rd Floor, Priory Place
New London Road
Chelmsford
CM2 0PP

LRSFA helpline: 01245 673534

Email: LRSFA@xpsgroup.co.uk

Group Pensions Department

Lloyd's Register
71 Fenchurch Street
London
EC3M 4BS

Email: group.pensions@lr.org

www.lrpensionport.co.uk

