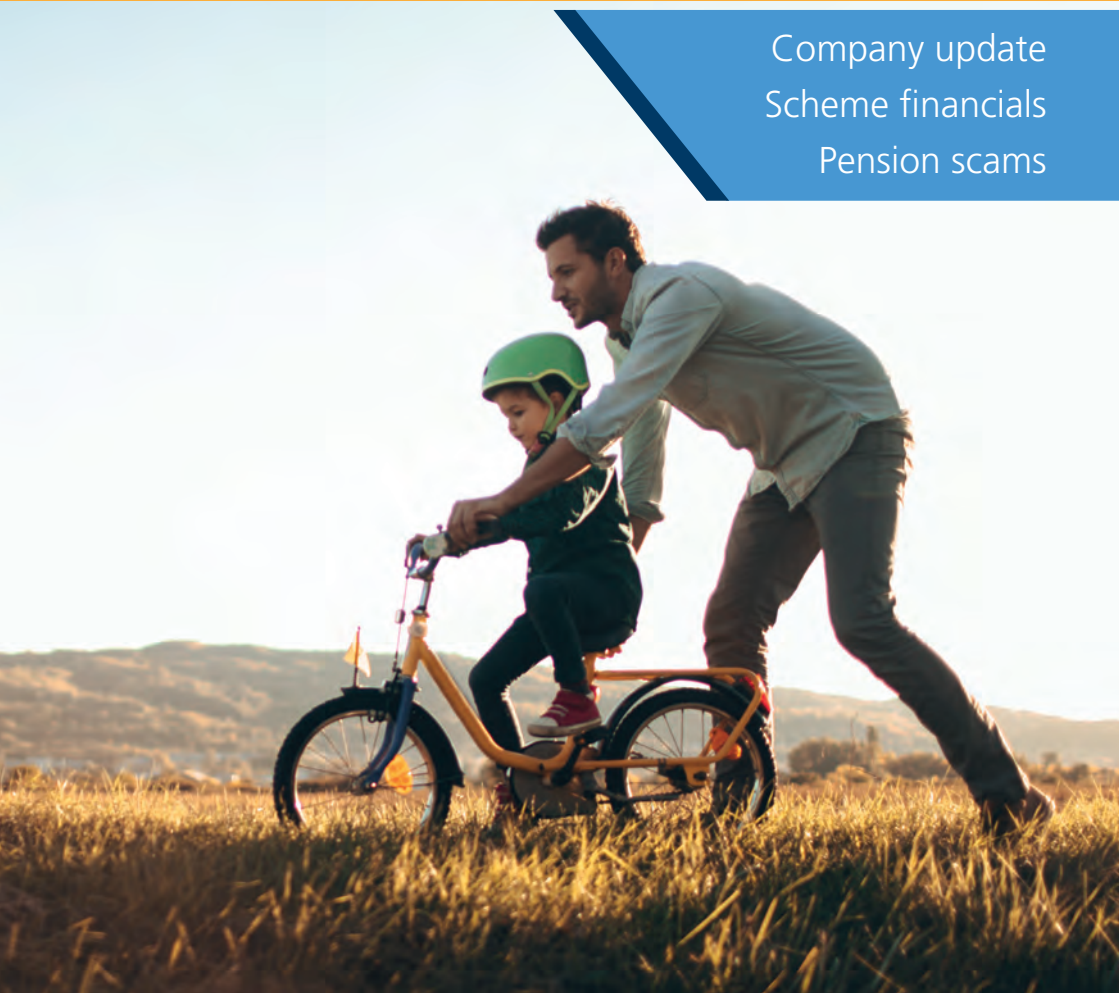


# Pensions Newsletter 2021

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

## Inside this issue

Company update  
Scheme financials  
Pension scams





# Chair's welcome

Welcome to your annual newsletter.

Inside you'll find an update on the Scheme's finances, as well as news from the Scheme and the world of pensions. On pages 6-7 you can also read the latest news from the Company, which includes an update on the Company's forthcoming change of CEO.

We've also been speaking to XPS, the Scheme's administrator, about how they have responded to the ongoing Coronavirus pandemic (page 5).

Since March, the Trustee has been closely monitoring the ongoing situation with Coronavirus so that if any actions are necessary in response to the fluctuations in the financial markets, it can take swift action to protect the Scheme's investments. Rest assured that the value of your DB pension is secure. In a DB arrangement, the Company bears any investment risks, meaning the value of your pension does not fluctuate in line with how the Scheme's investments perform.

The payment of pensions to our retired members is not affected by the pandemic and all pensions are being paid as normal.

For more about how we're responding to the situation, please read our article on page 5.

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, particularly in light of the ongoing pandemic. 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 Chair



# Summary funding statement

Results of the last valuation and the most recent funding update.

**A full actuarial valuation was carried out at 31 March 2019. A summary of the results, including the most recent funding update, is shown 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 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

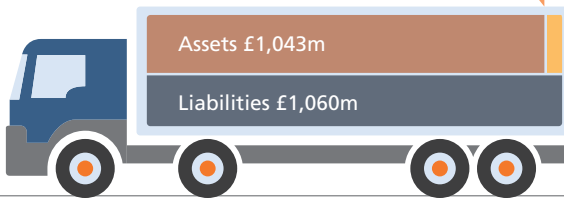
than the assets, the Scheme is said to be in deficit, and its funding level will be less than 100%. If the assets outweigh the liabilities, the Scheme is said to be in surplus, and its funding level will be 100% or more.

## Why is it important?

The actuarial valuation ensures that the DB Section is performing as it should be. As there is a deficit in the DB Section's funding level, the Trustee and the Company have agreed a Recovery Plan. The Company paid £8.13m into the LRSFA in March 2020, and a further £5.2m in March 2021 to help eliminate the deficit.

31 March 2019

Funding level 98%

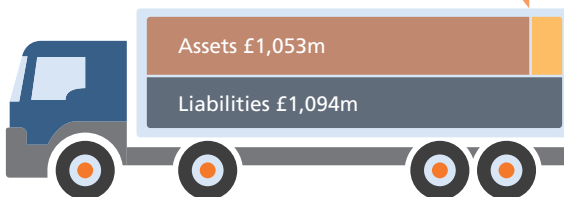


Deficit  
£17m



31 March 2020

Funding level 96%



Deficit  
£41m



# Summary funding statement (continued)

## 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.

## 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 2019 concluded that the Company would have had to make an additional contribution of about £214 million to make sure that all members' pensions could be paid in full by an insurance company. 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.

You can find more information about the PPF at [ppf.co.uk](http://ppf.co.uk)

## What else do you need to know?

We have to let you know whether there have been any payments from the LRSFA to the Company in the last 12 months. We can confirm that there haven't.

We can also confirm that The Pensions Regulator (TPR) hasn't modified or used any of its powers in relation to the Scheme in the last 12 months.



# Coronavirus response

**In light of the Coronavirus pandemic, we want to give you some peace of mind about the payment of your pension. There's also an update from the Scheme administrator.**

We understand that many of you will be concerned about the impact the pandemic may have on your pension.

We do not know how this situation will continue to develop over the coming weeks and months. We appreciate that this can be unsettling, but please remember that the value of your DB pension is based upon your length of service with the Company, rather than market performance. Your pension value is therefore unaffected by the market volatility we have seen over the past year and the economic uncertainty going forwards.

If you are a deferred member and also have savings in the DC Section of the Scheme, please be aware that changing your investments at this time could risk 'locking in' any losses, which could have a lasting impact on your retirement benefits. So, before making any changes, we recommend you consider consulting an independent financial adviser (IFA) qualified to advise on pensions. You can find a list of qualified financial advisers in your area at [unbiased.co.uk](https://www.unbiased.co.uk)

We recommend that you confirm the IFA is regulated and approved by the Financial Conduct Authority (FCA) before taking any advice. This is important, particularly with pension-related scams on the rise (see page

11 for more). Please be aware, accessing financial advice may incur a fee.

## **An update from XPS, the Scheme's administrator**

From the beginning of the COVID-19 pandemic, ensuring the health and safety of our staff has been of the utmost importance, alongside having a strong focus on providing positive member outcomes. As a result, XPS Administration have been able to react quickly to the required unprecedented operational change, which has enabled XPS to continue to operate within the Service Level Agreement (SLA) framework agreed with the Trustees of the Scheme.

Since the transition to the home-working model, 98% of all of our employees are working effectively remotely, which continues to have no impact on how the Scheme is administered. Importantly, all pensioner payments have continued to be made on time.

XPS has received positive feedback from both clients and pension scheme members in relation to how we have adapted to significant change, yet maintained our high levels of service.



# Company update

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

## A new Chief Executive Officer

I was appointed CEO of Lloyd's Register in January 2021, succeeding Alastair Marsh. It's a great honour for me, having spent my entire career at Lloyd's Register. I would like to thank Alastair for his dedication over the last five years, which has served us well during a turbulent year.

## Response to COVID-19

Over the last year, we have weathered COVID-19 better than many organisations. We put steps in place to make our business resilient, including remote provision of services and prudent cash-flow management. While we don't know how long the pandemic will last, we'll continue to keep our colleagues safe, protect jobs and livelihoods where possible, and to serve and support our clients.

## Business performance

As a result of everyone's efforts, our performance for 2020 shows income ahead of target and margins performing strongly. Despite the impact of the pandemic and a lower level of new marine construction, our resilience continues to show with Business Assurance & Inspection Services (BA&IS), in particular, seeing an increase in activity and more remote audits against last year.

In October 2020, we sold our Energy business to private equity investor Inspirit Capital, creating a new engineering and technical consultancy to realise the long-term growth potential of the energy business. We continue to deliver services across the energy industry, supporting our clients and pursuing growth opportunities through our Offshore Compliance, Digital Products and Inspection Services businesses.

Brexit came into effect on 31 January 2020 and we achieved notified body status on all of our impacted EC Directive services for BA&IS before the transition period ended. We continue to work with colleagues directly affected by Brexit to ensure that the impact on their working with us is minimised.

## Strong growth

Despite the economic effects of the pandemic, we have seen many business wins. Our Marine & Offshore (M&O) business gained a number of excellent new ship construction orders when, overall, orders have been low. The BA&IS business continues to win new accounts in many sectors against a background of regulators putting audits on hold. We have seen some notable 'firsts' among our wins too, creating a strong platform for growth in future years.

The pandemic accelerated the uptake of remote provision of services and about a



# \\ We weathered the COVID-19 storm better than many organisations \\

third of the surveys carried out in 2020 were done remotely. They are a growing proportion of the 30,000 surveys we complete globally each year. We will continue to invest in training and developing our people, helping them adapt to these new ways of working and changing customer needs.

We have made great progress in our digital services offering for our marine clients. We acquired Navico Group's C-MAP commercial marine business, bringing new functionality and capability to the i4 Insights platform through shore-side and ship-side voyage optimisation and cloud-based fleet management and fleet-analytics software.

## Towards a safer world

In November, we launched the Lloyd's Register Maritime Decarbonisation Hub in partnership with Lloyd's Register Foundation. Its aim is to accelerate sustainable decarbonisation of the maritime industry leading to zero-emission vessels by 2030.

We are collaborating with stakeholders across the industry to develop low- and zero-carbon fuels, such as ammonia and hydrogen, as well as a range of tanker and bulk carrier designs with rotating sails.

We are the only certification body to be able to audit against the new Responsible Plastic Management Standard which gained traction in 2020 after delays caused by the pandemic.

## Trusted advisers

When I think back over the last 10 years, it is very clear that the risks, opportunities and challenges faced by our customers have changed dramatically. Increased digitisation, as well as growing concerns about the impact of human activity on our planet, mean that our customers are operating in a very complex environment.

By becoming the number-one compliance provider, I believe we make the world safer. We have immense expertise, and must use that to become a trusted adviser to our customers, helping them to improve the performance and sustainability of their businesses.

I want to put the Company in the best possible position to succeed in a competitive post-pandemic environment. To do this, we'll need to focus on customers, sales and growth.

**Nick Brown**  
Chief Executive Officer



# The 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 2020.

	£000s
<b>Net assets of the DB Section as at 1 April 2019:</b>	<b>1,046,969</b>
<b>Cash received</b>	
Contributions	9,737
Other income	3
<b>Total</b>	<b>9,740</b>
<b>Cash paid out</b>	
Benefits paid or payable	(34,442)
Administration expenses	(1,536)
Leavers	(7,446)
Other payments	(435)
<b>Total</b>	<b>(43,859)</b>
<b>Returns on investments</b>	
Investment income	18,949
Change in market value of investments	25,247
Investment management expenses	(175)
<b>Net returns on investments</b>	<b>44,021</b>
<b>Net increase in the fund over the year (income minus expenditure)</b>	<b>9,902</b>
<b>Transfer between sections</b>	<b>(275)</b>
<b>Net assets of the DB Section as at 31 March 2020:</b>	<b>1,056,596</b>

Brackets indicate minus numbers.





# Investments

The table below shows the balance of the assets of the DB Section at market value.

Asset class	% of portfolio
Bonds and equities	49.40
Pooled investment vehicles	47.78
Cash on deposit	2.51
AVC investments	0.31
<b>Total</b>	<b>100</b>

The DB Section's investments performed positively during the year, with the return remaining ahead of inflation, albeit below the benchmark. The majority of growth managers did not outperform their benchmark following a volatile market environment.

More detailed information about the DB Section's investments is available in the Statement of Investment Principles which is in the 2020 Trustee Report and Financial Statements. You can find this in the Document store at [Irpensionport.co.uk](http://Irpensionport.co.uk)

## Membership figures as at 31 March 2020

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 four children (seven in 2019).

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

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

# GMP equalisation

**In 2019, the UK High Court ruled that changes to the ways in which Guaranteed Minimum Pensions (GMPs) are treated are necessary – this is known as ‘GMP equalisation’.**

As a result of this, some deferred and pensioner members could see a change to their pension if they built up a GMP between 17 May 1990 and 6 April 1997.

## **What is a Guaranteed Minimum Pension?**

In 1978, the Government introduced the State Earnings Related Pension Scheme (SERPS) to supplement the basic State Pension.

Most schemes took up an option to contract their employees out of SERPS, so that the pension scheme could carry on providing the same benefits as before without the need to pay the extra National Insurance contributions that would have been required for SERPS.

In return for ‘contracting out’ of SERPS, the company pension scheme had to provide a minimum level of pension to members that had to be at least equal to the pension that would have been paid by the Government under SERPS. This is called ‘Guaranteed Minimum Pension’ or ‘GMP’ for short.

## **What is GMP equalisation?**

Men and women often built up different levels of GMP, because the State Pension age used to be different for men and women and many company pension schemes paid pensions to men and women at different ages too. The High Court ruled that this is unlawful now that men’s and women’s retirement ages are the same, and that the amount of GMP members receive should not be affected by their sex.

## **How might this affect pension payments?**

The Trustee has begun the calculations to start equalising members’ pensions so the effect of unequal GMPs is removed. This is a complex process, and we’re aiming to complete it by the end of 2022, but it could take longer for some members.

**We will write to you nearer the time to let you know how GMP equalisation might affect you.**



# 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. Since April 2014, this amount has been £40,000. The AA may be lower for those earning around £200,000 or more a year, or anyone already accessing their pension benefits.

The Lifetime Allowance (LTA) is the maximum amount of savings you can pay into your pension(s), excluding the State Pension, in your lifetime with no extra tax charge. For the 2020/21 tax year, the LTA is £1,073,100.

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

## How to get a State Pension forecast online

The UK Government has an online tool to help you find out how much State Pension you could be eligible for and when you can start receiving it.

Visit [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension) to get started.

## Pension scams – be aware

Since the Coronavirus outbreak began, scammers have tried to take advantage of people's vulnerability.

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

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:

- Reject all unexpected offers.
- 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.
- Don't feel rushed or pressured into making any decisions.
- Seek impartial information or advice before making any changes to your funds or investments. Find an adviser at [unbiased.co.uk](https://www.unbiased.co.uk)

You can find further information on the FCA website at [fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart)

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