



LR

Pensions Newsletter

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

2022

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Changes to minimum pension age

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Chair's welcome

Welcome to your new-look annual newsletter, updated in line with the new Lloyd's Register brand.

In this edition you'll find the usual 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, which includes an update on how the Company has performed in 2021, their new Environment, Society, and Governance strategy, and their outlook for the future.

We also have an update on recent news from the world of pensions, including the suspension of the State Pension triple lock which was announced in 2021, and the introduction of new powers for Trustees to halt suspicious pension transfers. You can read more about these topics on pages 10 to 11.

2021 saw the easing of COVID-19 restrictions across the UK and, for a lot of people, a return to normalcy. We would like to assure you that, even with the eased government restrictions, the Trustee has continued to monitor the effect that the pandemic could have on financial markets, and is also closely monitoring the situation in Ukraine to ensure that the Scheme is prepared for any market

volatility that arises. We'd like to remind you that the value of your DB pension is secure as, for a DB arrangement, the Company bears any investment risks, so the value of your pension will not fluctuate with any movements in the value of the Scheme's investments.

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.

Refocusing for profitable growth

At the start of 2021, the Executive Leadership Team launched our Strategy for Profitable Growth, designed to refocus Lloyd's Register on fewer activities, allowing better allocation of resources, producing a greater impact and higher commercial returns. Our aim is to become the trusted advisors of choice to our customers, on compliance, performance and sustainability to the maritime industry and broader ocean economy. In line with this, we announced the sale of our Business Assurance and Inspection Services (BA&IS) business line to Goldman Sachs Asset Management, creating a new standalone organisation called LRQA. The divestment included cybersecurity firm Nettitude.

Business performance

Our steps to refocus the business drove a significant turnaround in profitability during the first half of 2021, the most recent period where financial results have been made public, with £14.1 million of profit on revenues of £375.7 million. To have achieved this against a backdrop that included the COVID-19 pandemic is testament to the hard work and commitment of our colleagues. Our year-on-year sales results were significantly higher, partly due to the turnaround in new vessel construction activity which was at a 31-year low last year.

We also saw positive sales results from our new services, such as our fleet management solution software, Hanseaticsoft, on which we completed a final transaction to bring the business under 100% LR ownership. We also supported the cruise industry to return to operations with our safe sailing products and services (LR SHIELD and LR SHIELD+) and are encouraged to see some newly built cruise ships being transferred into Lloyd's Register class.

We have seen a marked increase in customers evaluating the impact of impending environmental regulations such as the International Maritime Organization's Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII). The digital drive for safety and efficiency continues to dominate, as more of our clients turn to predictive modelling to support decisions around environmental compliance and operational performance. To enhance our capability to support customers with operational efficiency and fleet performance, our i4 Insight business acquired C-Maps and GreenSteam.



Our steps to refocus the business led to a profit of over £14 million in the first half of 2021.

Our strategy for profitable growth

The sale of our BA&IS Division is part of LR's growth strategy to become the go-to partner and adviser on compliance, performance and sustainability to the maritime industry and broader ocean economy. The longevity, trust and independence of our brand and our unique ownership by the LR Foundation makes us well placed to help our customers and wider stakeholders understand their options in terms of hardware, fuels, ways of operating their fleet, and available technologies. This was the rationale for establishing Maritime Performance Services (MPS) as a separate business line from our Marine & Offshore business. MPS is focused on growing our advisory and professional services, including our various digital solutions that seek to improve the efficiency and performance of our customers' activities.

Historically, our services have focused on supporting those who design, build, operate or manage ships, but the challenges of decarbonisation and digitalisation in the maritime industry open up avenues to support the broader shipping value chain and we are now working more extensively with insurers, charterers, and ship financiers as well as fuel and infrastructure providers. LR has continued the increased digitalisation of its services to ensure shipping remains safe, and to support the route to compliance, operational efficiency, sustainability and competitive agility.

People and culture

The Executive Leadership Team were very encouraged to see continued high levels of employee engagement during the year. Flexible ways of working, which were implemented at pace in the early months of the pandemic, have been formalised. Our field-based colleagues deserve thanks for continuing their essential work throughout the restrictions caused by the pandemic.

Environment, Society and Governance (ESG)

We believe collaboration – across the maritime industry and with other industrial sectors – will be the key to meeting the challenge of maritime decarbonisation. As well as our own Lloyd's Register Maritime Decarbonisation Hub, a joint venture between Lloyd's Register and Lloyd's Register Foundation, we are pleased to be working with organisations with similar collaborative goals, such as the Maersk McKinney Moller Center for Zero Carbon Shipping and the Singapore-based Global Centre for Maritime Decarbonisation.

LR is proud to be among the few maritime organisations to have signed up to the UN Climate Change 'Race to Zero'. We have set an ambition to reach net zero by 2050 but hope to achieve this sooner. We remain committed to the Ten Principles of the UN Global Compact and continue to focus our efforts on upholding these principles for a just and fair transition to a safe and sustainable ocean economy.

Outlook for 2022 and beyond

Our ownership model, with its symbiotic relationship between Lloyd's Register Group and the research activities and grant recipients of the Lloyd's Register Foundation, ensures that we are well positioned to support stakeholders across the maritime industry as they navigate impending challenges. The Foundation's 10th anniversary this year provides a strong platform for increasing the visibility of the important work we do to engineer a safer world.



LR is proud to be among the few maritime organisations to have signed up to the UN Climate Change 'Race to Zero'. We have set an ambition to reach net zero by 2050 but hope to achieve this sooner.

Summary funding statement

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

The latest full actuarial valuation was carried out as at 31 March 2019. A summary of these results, including the most recent funding update as at 31 March 2021, is shown below.

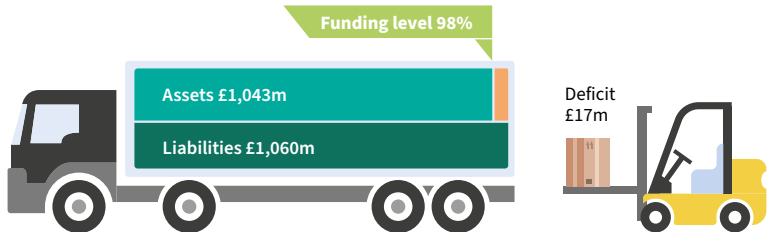
What is an actuarial valuation?

An actuarial valuation is a detailed financial review of the Scheme. It compares the Scheme's assets with its liabilities to determine 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%.

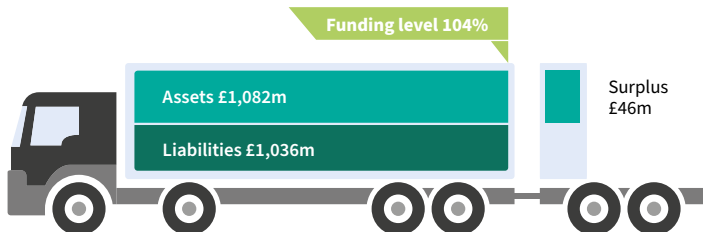
Why is it important?

The three-yearly actuarial valuation, and the annual funding updates, 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 £8.13m 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



31 March 2021





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.

Surplus: When there are more assets than liabilities.

Wind-up position

We are required by law to let you know what would happen if the Scheme were to wind up – but this does not mean there is any intention of winding up the LRSFA. The last full valuation as at 31 March 2019 concluded that the Company would have to make 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), as compensation, would pay part of the benefits due to members.

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 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 past 12 months.

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 2021.

	£000s
Net assets of the DB Section as at 1 April 2020:	1,056,596
Cash received	
Contributions	8,496
Other income	2
Total	8,498
Cash paid out	
Benefits paid or payable	(33,695)
Administration expenses	(1,222)
Leavers	(5,273)
Other payments	(429)
Total	(40,619)
Returns on investments	
Investment income	31,368
Change in market value of investments	30,114
Investment management expenses	(788)
Net returns on investments	60,694
Net increase in the fund over the year	28,573
Transfer between sections	125
Net assets of the DB Section as at 31 March 2021:	1,085,294

Investments

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

Asset class	% of portfolio
Return-seeking assets	41.49
Liability-matching assets	52.44
Cash on deposit	5.71
AVC investments	0.34
Total	100

Figures may not total exactly due to rounding.

Return-seeking assets aim to provide investment growth over time. Liability-matching assets aim to provide returns that broadly correlate with the timing of expected future liabilities.

The DB Section's investments performed positively during the year, with the return remaining ahead of inflation, and was above the benchmark. The majority of growth managers outperformed their benchmark during the year, which saw less volatility in the market environment compared to last year.

More detailed information about the DB Section's investments is available in the 2021 Trustee Report and Financial Statements. You can find this in the Document store at lrpensionport.co.uk

Membership figures as at 31 March 2021

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
2020	1,636	3,520	1,700	465
2021	1,432	3,633	1,707	460

In addition, allowances were paid to four children (four in 2020).

* 'Members in service' includes 199 (229 in 2020) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

** 'Deferred members' includes 2,157 (2,240 in 2020) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

Scheme news

Updates from the LRSFA.

GMP equalisation

In 2018, the UK High Court ruled that changes to the way Guaranteed Minimum Pensions (GMPs) are treated are necessary – this is known as ‘GMP equalisation’. In last year’s newsletter, we let you know about the High Court ruling, and let you know that the Trustee had begun the calculations to start equalising members’ pensions. This work is ongoing. We will write to you in due course to let you know how GMP equalisation might affect you.

Upcoming changes to the minimum retirement age

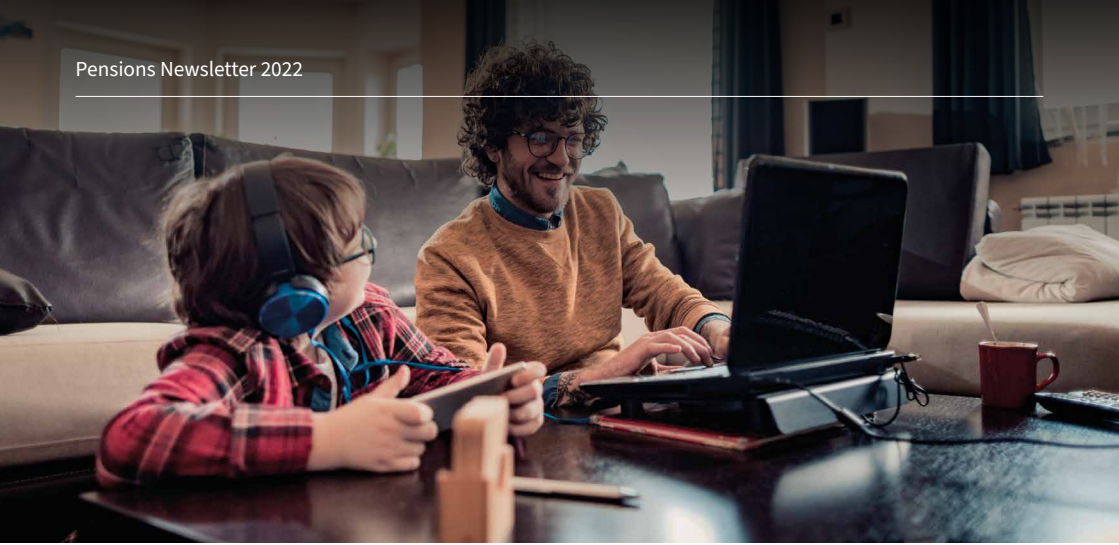
Legislation published in the Finance Bill 2021-22 lays the groundwork for an increase in the UK minimum retirement age from 55 to 57 in 2028. This means that, if the bill is approved, the age at which you could begin to access your pension pot without incurring any additional tax charges will rise.

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)

2021 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) – on our website 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

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

Suspension of the State Pension triple lock

Towards the end of last year, you may have heard of the government's decision to suspend the State Pension triple lock for 2022-2023, but what exactly does this mean and how could it affect you?

The State Pension is a regular payment from the Government which you start to receive once you have reached State Pension age. To qualify for the full State Pension, you must have paid a minimum of 35 years of National Insurance Contributions during your working life.

To help the State Pension keep pace with inflation, the Government announced a State Pension triple lock in 2010. The triple lock would provide an increase to State Pension payments each year in line with average earnings, CPI inflation, or 2.5%, whichever is higher.

However, in 2021 the Government announced plans to suspend the triple lock for the 2022/23 tax year, because it believed the COVID-19 pandemic and ensuing furlough scheme distorted average earnings growth, one of the factors the triple lock was aligned to. Instead, the State Pension will increase in line with CPI inflation for the 2022/23 tax year.

If you have any concerns about how the suspension of the triple lock could affect you, visit MoneyHelper at [moneyhelper.org.uk](https://www.moneyhelper.org.uk)

Pension scams and new transfer halting powers for Trustees

To help limit the number of people who fall victim to pension scams, in 2021 The Pensions Regulator (TPR) published guidance on halting suspicious pension transfers.

The regulations, which arise from the Pension Schemes Act 2021, introduce a system of red and amber flags, allowing trustees the power to refuse any transfers that seem to be suspicious or a potential scam. TPR's guidance highlights some of the factors that trustees should consider. For instance, if a trustee decides there are any red flags present, they must refuse the transfer. If there are any amber flags, trustees should direct the transferring member to book a session with MoneyHelper to obtain guidance before the transfer can proceed.

If you are planning to make any transfer requests, please bear in mind that:

- These new checks can add additional time to the processing of any transfer requests
- The standard three-month guarantee on Cash Equivalent Transfer Values has not changed in light of these new regulations, so if XPS contacts you about your transfer, ensure you are quick to respond.

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)



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.

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Email: LRSFA@xpsgroup.co.uk

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