Lloyd's Superannuation Fund

Actuarial valuation as at 31 March 2022

Scheme Funding Report

Richard Gibson FIA
Barnett Waddingham LLP

9 June 2023

1 Summary

In accordance with Section 224(1) of the Pensions Act 2004 the Trustee has asked me to prepare an actuarial valuation of the Lloyd's Superannuation Fund (the Fund) as at 31 March 2022.

I summarise the results of the valuation as follows:

- Using the method and assumptions agreed by the Trustee and MS Amlin Corporate Services Ltd (MSACSL) (the Employer), the Fund had assets sufficient to cover 101% of its Technical Provisions as at 31 March 2022, corresponding to a surplus of £3,448,000.

- The Fund had assets sufficient to cover 94% of the liabilities on the self-sufficiency basis as at 31 March 2022, corresponding to a deficit of £27,071,000.

- If the Fund had secured benefits with an insurance company using deferred and immediate annuities, I estimate it would have enough assets to cover 92% of its liabilities as at 31 March 2022, corresponding to a deficit of £38,007,000. This means that, had the Fund wound up at the valuation date with no further funds available from the Employer, there would not have been sufficient assets available to secure members' full benefit entitlements.

In light of the results of this valuation, the Trustee has agreed with the Employer that:

- Despite the results revealing a surplus on the Technical Provisions basis at the valuation date, the Employer will continue to make contributions in line with those agreed following the actuarial valuation as at 31 March 2019 and as set out below. These contributions will be paid into a nominated escrow account in favour of the Trustee.

Date	Amount
by 31 March 2024	£3,710,000
by 31 March 2025	£3,710,000
by 31 March 2026	£3,710,000

- The Employer will also meet directly any expenses of the Fund (including investment management charges) for services rendered from 1 July 2023 onwards that are within the scope of an Expense Sharing Framework agreed between the Trustee and MSACSL.
- The amount of any PPF levies incurred will be payable by MSACSL in addition to the above contributions.

1 Summary

The Trustee's assessment of the Technical Provisions assumes the continued support of the Employer. I understand that, based on the financial position of MSACSL and the covenant support available to the Trustee, the Trustee believes the overall covenant for the Fund to be 'tending to strong' and has determined the level of the Technical Provisions on this basis.

Using the assumptions prescribed for the Section 179 valuation, the Fund had sufficient assets to cover 126% of its liabilities in respect of the compensation that would be paid by the Pension Protection Fund. The Section 179 valuation is one of the factors that determine the levy that is paid to the Pension Protection Fund by the Fund and I will submit the results via The Pensions Regulator's "Exchange" system at the same time that you receive this report.

The next actuarial valuation should be carried out with an effective date no later than 31 March 2025 and the contributions payable by the Employer will be reviewed as part of that valuation.

Richard Gibson FIA
Barnett Waddingham LLP
9 June 2023

2 Methodology and assumptions

Actuarial valuations under the Pensions Act 2004

In accordance with Section 224(1) of the Pensions Act 2004 the Trustee has asked me to prepare an actuarial valuation of the Lloyd's Superannuation Fund (the Fund) as at 31 March 2022.

This report summarises the results of the valuation, including the information required by Regulation 7 of the Occupational Pension Schemes (Scheme Funding) Regulations 2005 and Appendix A of TAS 300: Pensions issued by the Financial Reporting Council. This report complies with Technical Actuarial Standards issued by the Financial Reporting Council – in particular TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions. These are the only TASs that apply to this work.

This report is addressed to the Trustee, but it has been written so that an informed reader can understand the financial position of the Fund, including how it has developed since the previous valuation and how it might develop in the future. However, this report is not intended to assist any user in making decisions, and valuations required for specific purposes (e.g. employer accounting, corporate transactions and advice to individual members) should be calculated in accordance with the specific requirements for such purposes. Neither I nor Barnett Waddingham LLP accepts liability to third parties in respect of this report.

I have been instructed that the 'A' and 'B' schemes of the Fund should be treated as defined benefit sections for the purpose of my valuation. Benefits were earned in the 'C' scheme on a money purchase basis and are therefore excluded from this valuation.

Alongside MSACSL the only other participating employer in any 'B' schemes of the Fund at the valuation date was MS Amlin Corporate Member Ltd (MSACM).

A copy of this report should be provided to the Employer within seven days of the Trustee receiving it.

Membership data

The membership data has been provided by Barnett Waddingham's administration team, and I have relied on information supplied to the administrators by the Trustee being accurate. A summary of the membership data used in the valuation is shown in **Appendix A**, along with the data from the previous valuation for comparison.

The membership data has been checked for reasonableness and I have compared the membership data with information in the Trustee's Report and Accounts. Whilst this should not be seen as a full audit of the data, I am happy that the data is sufficiently accurate for the purposes of the valuation.

Since the previous valuation, with effect from 30 November 2020 the Fund closed to future accrual and all remaining active members at this date became deferred members of the Fund.

In October 2021, Barnett Waddingham became responsible for the administration of the Fund, taking over from LSF Pensions Management Ltd. As part of the handover process, Barnett Waddingham identified some errors in the data, which have been corrected for the purpose of ongoing administration. Where these corrections were made before the valuation date, they have been allowed for in the valuation results. I have not updated the data for any changes made after the effective date of the valuation. I have considered the report on the Sturge E pension increase review dated 12 September 2022 and have established that this would not materially change the results of the valuation.

2 Methodology and assumptions

Benefits

The benefits being valued are as set out in the Fund's Trust Deed & Rules dated 18 July 2008 (and subsequent amendments) and are summarised in **Appendix B**. This summary is intended for quick reference only and full details of the benefits are set out in the Fund's governing documentation.

I understand that the only discretionary benefits currently provided by the Trustee are as follows:

- In respect of contracted-out members, a 'bridging pension' is paid in respect of Guaranteed Minimum Pension ("GMP") benefits from retirement age if it falls before the member's GMP payment age.

- A survivor's pension is payable to the spouse or civil partner of contracted-out members in service after 5 April 1997, regardless of whether they were recorded as the member's nominated dependant when leaving service.

I have made allowance in my calculations for these practices to continue. I have made no allowance for other discretionary benefits or practices.

The benefits promised under the Fund may receive increases in payment or revaluation in excess of statutory requirements at the discretion of the Trustee. The last such increase was awarded in 1999 and I have made no allowance in my calculations for discretionary increases to be awarded in future. I have valued the discretionary increases and revaluations already granted in the Fund data on the assumption that they now constitute obligations of the Fund. The Trustee's practice is to review on an annual basis, with actuarial advice, whether the position of the Fund allows any further discretionary increases to be awarded.

I have reviewed advice provided to the Trustee on pension increase rules by Pinsent Mason on 6 September 2010 and 26 January 2011 and I have sought clarification from the Trustee where that advice differed from other information provided to me. I have summarised in Appendix B the instructions my firm has received regarding the increases applicable to benefits within the Fund.

I understand there has historically been some uncertainty as to whether the benefits relating to 'A' scheme members should be administered as defined benefits. I also understand that the Trustee received advice from Counsel on this matter on 25 February 2007 and subsequently decided to administer these as defined benefits, including the application of statutory revaluation to the benefits.

I am not aware of any significant changes to the benefits since the previous valuation.

2 Methodology and assumptions

Guaranteed Minimum Pension (GMP) equalisation

The Trustee will be aware of the October 2018 High Court judgement in the Lloyds Banking Group case on sex equalisation requirements in relation to GMP benefits.

GMP equalisation for continuing members

The previous valuation included a reserve of £5million in respect of GMP equalisation requirements for continuing Fund members, based on detailed calculations at the time for a subset of Fund members (as described in my Scheme Funding report dated 1 July 2020). The Trustee has not yet adjusted benefits to reflect GMP equalisation requirements and at this stage has only commissioned high level advice on the GMP equalisation methodology. Based on my advice, the Trustee has therefore retained that £5million reserve for GMP equalisation at this valuation.

GMP equalisation for past transfers out

Since the previous valuation, a further judgement has been handed down in the Lloyds Banking Group case addressing the need to make GMP equalisation payments in respect of members who previously transferred out since 17 May 1990 (the **'Lloyds 3' obligation**).

The Trustee began paying transfer values on a GMP-equalised basis from 1 October 2020, based on my advice dated 1 September 2020. Therefore, a reserve needs to be held for GMP equalisation top-ups for transfers out of the Fund between 17 May 1990 and 1 October 2020.

I have reviewed the Trustee's accounts dating back to 1991 and have identified that there have been around 2,000 individual transfers out of the Fund over the relevant period, totalling ca. £148million.

As no further individual data has yet been gathered on these past transfers, the Trustee has adopted a working reserve of £3million, set using the same percentage of liability as for continuing members in scope of GMP equalisation requirements, and including the effect of interest.

The Fund has carried out several bulk transfers since 1990 amounting to an additional ca. 1,000 members who have transferred out of the Fund in bulk between 1990 and 2021. The Trustee has adopted an additional reserve of £1million in respect of these members (following the same principles above).

2 Methodology and assumptions

Assets

I have been provided with a copy of the Trustee's audited Report and Accounts for the period ending 31 March 2022. This shows that the market value of the Fund's assets, including members' Additional Voluntary Contributions (AVCs), is **£448,469,000**. This includes annuities valued at **£4,581,000** by Pension Insurance Corporation, with whom those policies are held.

The Trustee's current investment strategy is set out in the Fund's Statement of Investment Principles dated 17 December 2021. A breakdown of the actual investments held at the valuation date along with the Trustee's target asset allocation is set out in Appendix C. I have also included in Appendix C a summary of the contributions paid and the investment performance since the previous valuation.

Funding objectives

The Trustee's funding objectives are described in a Statement of Funding Principles dated 10 May 2023, a copy of which is included in Appendix G. In summary, the Trustee have adopted the "Statutory Funding Objective", which is that the Fund should have sufficient and appropriate assets to meet its liabilities.

The principal purpose of the valuation is therefore to examine the financial position of the Scheme at the valuation date and to agree the contributions payable to ensure that the Statutory Funding Objective is expected to be met.

The Trustee and the Employer have agreed to discuss and confirm a long-term target for the Fund following the completion of the valuation.

Methodology used to achieve objectives

The valuation has been carried out on a "market-related" basis. This means that assets are taken into account at their market value. For comparison with the assets, a consistent measure is needed for the liabilities that are expected to arise in respect of benefits already earned at the valuation date – otherwise known as the "Technical Provisions". This is achieved by projecting the benefits that are expected to be paid to members of the Fund as a result of:

- pensions already in payment;
- pensions arising from future retirements;
- lump sums payable to future retirees in exchange for part of their pension;
- lump sums payable following the death of a member; and
- pensions payable to eligible dependants following the death of a member.

To estimate the amount of these future benefit payments, assumptions need to be made regarding:

- how benefits will increase prior to payment;
- how pensions will increase while in payment;
- whether members will die before reaching retirement;
- how long members will live in retirement;
- whether members will have an eligible dependant on death and, if so, the age of their dependant; and
- whether members will exercise certain options, such as exchanging pension for cash at retirement.

However, the benefits are expected to be paid over a long period of time and, during that time, the assets held are expected to earn investment returns. Therefore, for comparison with the assets, the projected benefit payments are reduced to allow for the investment return that is anticipated prior to payment. This methodology is commonly referred to as "discounting" and the investment return allowed for is referred to as the "discount rate". For consistent comparison with the market value of the assets at the valuation date, the choice of discount rate reflects relevant market indicators at the valuation date.

2 Methodology and assumptions

The Fund's investment strategy is to transition to a low risk portfolio by 31 March 2032 which can be expected prudently to return gilts + 0.50% pa. By this time over 95% of Fund liabilities are projected to be in respect of pensioners.

The valuation has been prepared assuming that the initial portfolio held will prudently return gilts + 1.25% pa and would be held for the year following the valuation date, and then that the Fund would transition to a portfolio prudently returning gilts + 0.50% pa by 2030. In practice the risk and return profile of the actual strategy may transition faster or more slowly to the long-term portfolio.

Valuations on other bases

As part of the valuation, I am required to include an estimate of whether the Fund would have had sufficient assets to secure benefits with an insurance company and meet the expenses associated with winding-up the Fund. This is referred to as "the solvency estimate".

For many schemes, the solvency estimate is expected to be significantly higher than the Fund's Technical Provisions, as insurers will assess the liabilities assuming investment only in low-risk asset classes such as gilts and bonds, whereas the assumptions used for the calculation of the Technical Provisions make allowance for expected outperformance from investment in riskier asset classes such as equities.

I have also included the results on the Trustee's self-sufficiency basis. This basis uses the same demographic assumptions as the Technical Provisions basis, but uses a discount rate of gilts+0.50% pa for all terms, and an alternative expense reserve at 5% of liabilities. The Trustee's current investment strategy hedges the liabilities against cashflows modelled on this basis.

The Trustee is also required under Section 179 of the Pensions Act 2004 to obtain a valuation at least every three years on a basis that is set by the Pension Protection Fund (PPF). The results of this valuation are used by the PPF to determine the levy that is paid by the Fund to the PPF to provide compensation for members of pension schemes that are underfunded and the employer has become insolvent. Although not strictly part of the actuarial valuation, I have included details of the Section 179 valuation in this report.

Recent court judgements affecting the PPF basis

In line with the PPF's s179 guidance, we note the following regarding recent court cases that have implications for compensation payable by the PPF:

Lloyds Banking Group (GMP equalisation) – in accordance with the PPF's guidance I have made an allowance for the effects of GMP equalisation (but excluding any allowance for past transfers or buy-outs).

Hampshire – this judgement stated that members are entitled to PPF compensation of at least 50% of their original scheme benefits. In accordance with the PPF's current s179 guidance, no allowance has been made for the outcome of the Hampshire judgement in our calculations.

Hughes – this judgement (and subsequent appeal) followed on from the Hampshire judgement and confirmed that the PPF compensation cap, as set in legislation, is unlawful based on age discrimination and can no longer be applied.

As per current guidance from the PPF, our calculations do not apply the compensation cap. This represents a change from the previous s179 valuation when the compensation cap was still in force. The removal of the compensation cap acts to increase s179 liabilities for affected members, all else being equal.

Beaton – this judgement stated that transferred-in benefits from a previous employer should be treated separately to benefits accrued in a scheme for the purposes of comparison with the PPF compensation cap. The implications of the Beaton judgement have been superseded by the Hughes judgement (see above).

2 Methodology and assumptions

Bauer – this judgement stated that, even where a member's PPF compensation is at least 50% of their original scheme benefits, any reduction should not result in the member living below the at-risk-of-poverty threshold determined by Eurostat. Consistent with the PPF's current s179 guidance, no allowance has been made for the outcome of the Bauer judgement in our calculations.

It should be noted that if or when the PPF update their s179 guidance to include allowance for the Hampshire or Bauer judgements, s179 liabilities would increase for any affected members.

Assumptions

My advice on the method and assumptions to be used for estimating the cost of the benefits was set out in my report dated 15 August 2022. These assumptions were discussed in detail by the Trustee during the valuation process. There has been correspondence between the Trustee, MSACSL and their respective advisors during this period in formulating the final assumptions used for the calculation of the Fund's liabilities.

The resulting assumptions agreed by the Trustee for the purpose of the Statutory Funding Objective as at 31 March 2022, along with the assumptions used at the previous valuation, are summarised in Appendix D.

On the understanding that the Trustee views the employer covenant as tending to strong, I can confirm that in my opinion these assumptions are appropriate for the purposes of the valuation. In setting the assumptions for calculating the Technical Provisions, the Trustee has taken into account the covenant of MSACSL (and its group), the support provided by the agreed expense sharing framework and the Fund's two agreed escrow arrangements.

The assumptions I have used for the solvency estimate are also summarised in Appendix D. Whilst I am satisfied that these assumptions are appropriate for the purpose of the solvency estimate, and in particular that they satisfy the requirements of Regulation 7(6)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005, the Trustee should understand that:

- The assumptions are only intended to give a broad indication of likely annuity costs, and that an actual quotation could differ materially from this estimate.
- The expenses associated with discontinuing a pension scheme are difficult to predict and the expense assumption should not be seen as a quotation of the likely expenses involved.
- For the purposes of my calculations I have made an allowance for wind-up expenses of £6,002,000, being 1.25% of the solvency liabilities, which I believe to be a reasonable provision for the purposes of the valuation.

The assumptions for the Section 179 valuation are prescribed by the PPF.

3 Results

Statutory Funding Objective

Using the methodology described above and the assumptions set out in Appendix D, the results of the valuation are as follows:

Scheme Funding valuation	£000s
Deferreds	173,286
Pensioners	221,856
Dependants	31,072
Annuitants	4,581
AVCs	326
GMP Equalisation	9,000
Expenses	4,900
Total expected cost	**445,021**
Value of invested assets and net current assets	443,888
Value of insured assets	4,581
Market value of assets	**448,469**
Surplus / (Deficit)	**3,448**
Funding level	**101%**

It should be understood that these results indicate the expected cost of providing the Fund benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the Fund's experience. The sensitivity of the results to the key assumptions is included as Appendix E.

My certificate confirming that the calculation of the Technical Provisions has been carried out in accordance with the relevant legislation is included in Appendix F.

Contribution requirements

Details of the contributions agreed between the Trustee and the Employer are set out in a formal Schedule of Contributions. This document is included in Appendix G together with the certificate I have provided.

3 Results

Reconciliation to previous valuation

The previous valuation was carried out as at 31 March 2019. The results were summarised in my report dated 1 July 2020 and showed a funding level of 94% and a deficit of £33,866,000. A reconciliation of the key factors that have influenced the funding level of the Fund over the period is shown in Appendix F. Aside from changes to the Trustee's Technical Provisions basis, some of the key changes since the previous valuation were;

- **Leavers since last valuation** – At the last valuation there were 30 active members. The Fund has since closed to further accrual on 30 November 2020 and all members have now left pensionable service. Due to a salary freeze agreement in force in the Fund, whilst MS Amlin members remained in active service, they received no salary increases in relation to their post-2006 benefits. Following the closure, the post-2006 benefits of former active members will now increase each year in line with deferred revaluation requirements, which leads to an increase in the Technical Provisions

- **Data corrections** – Work carried out as part of the Project Leopard administration transition identified that there are 47 deferred members of the Fund who have previously transferred out their benefits in excess of GMP and retain only a GMP benefit in the Fund. The data extracts provided to us by the in-house administration team at previous valuations did not reflect the detail of these partial transfers-out. For this valuation, we have updated the data to correctly allow for the transferred-out excess pension. This has served to reduce the liability by around £4million.

- **Expenses** – The Fund's operating expenses (excluding investment management fees) since the previous valuation averaged £2.38m pa, which exceeded the expense allowance included in the 2019 funding basis of £0.99m pa.

- **Asset returns** – the Fund benefited over the period 1 April 2019 to 31 March 2022 from strong returns on both its growth portfolio and from its LDI portfolio, relative to the Technical Provisions benchmark.

  This latter performance has arisen as the Fund hedges relative to a Gilts+0.50%pa basis and so has effectively been over-hedged over the period relative to the Technical Provisions basis.

3 Results

Solvency estimate

The results of the valuation using the assumptions for the solvency estimate described in Appendix D are as follows:

Solvency basis	£000s
Deferreds	204,485
Pensioners	230,572
Dependants	31,510
Annuitants	4,581
AVCs	326
GMP Equalisation – combined reserve	9,000
Winding-up expenses*	6,002
Estimate of solvency liabilities	**486,476**
Value of invested assets and net current assets	443,888
Value of insured assets	4,581
Market value of assets	**448,469**
Surplus / (Deficit)	**(38,007)**
Funding level	**92%**

*This item estimates the costs that the Fund might incur during a buy-out, excluding insurer expenses which are allowed for in the solvency basis assumptions.

As at 31 March 2019 the solvency funding level was estimated to be 76%.

The Fund would not have had sufficient assets at the valuation date, based on the assumptions, to secure full benefits with an insurance company. If the Fund had wound up at the valuation date, the Employer would have been obliged to make good any shortfall. However, if the Employer were unable to do so, for example due to insolvency, the assets would have been applied to secure benefits in line with the statutory priority order that applied at the valuation date. The coverage of benefits falling into each priority class is estimated in the following table:

Category of benefit	Coverage level
Expenses and defined contribution benefits	100%
Benefits equivalent to PPF compensation	100%
Defined benefit AVCs not covered by PPF compensation	100%
Other benefits	70%

In my assessment the Fund would have likely had sufficient assets to secure benefits for members in excess of the compensation provided by the PPF. This means that had the Fund wound up at the valuation date with no further funds available from the Employer, it is unlikely that the Fund would have entered the PPF. Instead the assets of the Fund would have been applied to secure benefits in the proportions set out above, but members would not have received their full benefit entitlement.

3 Results

Self-sufficiency basis

The results of the valuation using the assumptions for the self-sufficiency basis described in Appendix D are as follows:

Self-sufficiency basis	£000s
Deferreds	178,917
Pensioners	228,207
Dependants	31,880
Annuitants	4,581
AVCs	326
GMP Equalisation – combined reserve	9,000
Expenses	22,629
Total estimate of liabilities	**475,540**
Value of invested assets and net current assets	443,888
Value of insured assets	4,581
Market value of assets	**448,469**
Surplus / (Deficit)	**(27,071)**
Funding level	**94%**

Projected future results

The progression of the funding level over time is influenced by a large number of factors, including the experience of the Fund's membership, the investment return achieved and the contributions paid.

If investment returns and other experience over the next three years are in line with the assumptions used for the Technical Provisions, then based on the position at 31 March 2022 I estimate that by 31 March 2025 the funding position on a Technical Provisions basis will have improved to 104% and on a solvency basis will be 96%. I have made no allowance for the contributions expected to be paid into the nominated escrow account in making this projection.

Section 179 valuation

A certificate setting out the results of the Section 179 valuation using the method and assumptions prescribed by the PPF is included in Appendix G. The details set out on this certificate must be provided to the PPF via The Pensions Regulator's Exchange System no later than 30 June 2023.

4 Risks

There are many factors that affect the financial position of the Fund which can lead to the Fund being unable to pay members' benefits. In this section I comment on some of the factors that could have a material impact.

Employer Covenant risk

One of the greatest risks to the ability of the Fund to pay members' benefits is that the Employer may be unable to fund future deficits.

The Trustee's chosen assumptions reflect an objective assessment of the risk that the Employer will not be able to support the Fund in the future. The Trustee should monitor the strength of the Employer over time, so that any sudden changes in the Employer's position can be mitigated.

Investment risk

Allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice, which would result in further contributions being required.

Further, the value of the Fund's assets may not move in line with the Fund's liabilities – either because the Fund invests in volatile assets whose value might fall, or because the value placed on the liabilities has increased (e.g. due to falling interest rates and the assets not being of sufficient duration to keep up).

The sensitivity of the valuation results to changes in the investment return assumptions is included in Appendix E. The Trustee should regularly review their investment strategy to ensure they understand the risks being taken and that those risks are being appropriately managed.

Inflation

In projecting the expected future benefit payments, assumptions are made regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the financial position unless investment returns are similarly higher than expected.

The sensitivity of the results to the choice of inflation assumptions is included in Appendix E. The Trustee should consider the inflation risk present within the Fund when reviewing the investment strategy.

Mortality

It is not possible to predict with certainty how long members of the Fund will live, and if members live longer than expected, additional contributions will be required and the Fund's financial position will deteriorate.

The sensitivity of the results to the choice of mortality assumptions is included in Appendix E. The Trustee should review its mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.

The Fund has a significant degree of concentration of mortality risk, with 10% of members representing around half of the Fund's liabilities.

4 Risks

Member options

Certain benefit options may be exercised by members without requiring the consent of the Trustee or the Employer, for example exchanging pension for cash at retirement or taking a transfer value. Generally the terms for exercising these options should leave the Fund no worse off as a result and may in some cases be favourable to the financial position of the Fund. Therefore there is limited risk of further contributions being required or a deterioration of the financial position as a result of members exercising these options.

However, allowance is made in the assumptions for members to exchange pension for cash at retirement and to transfer out before retirement. If the terms for members to exchange pension for cash or the number of members doing so are not as assumed then further contributions could be required from the Employer.

The sensitivity of the results to the assumed exercise of options by members is included in Appendix E. The Trustee should regularly review the transfer value basis and other actuarial factors to understand the financial implications of members exercising options and to ensure that the terms for doing so remain appropriate.

Legislative risk

Changes in legislation could increase the value of the Fund's liabilities. The Trustee should therefore take professional advice to ensure that they are aware of any changes in legislation and the impact of these changes on the Fund's funding position.

The Trustee receives regular updates on legislative matters from their advisers.

Climate risk

The Fund faces potential risks from both the physical effects of climate change and the transition to a low-carbon economy. Climate risk may manifest itself through any of the other risks identified above, including investment and inflation risk, potentially causing a deterioration in the Fund's funding position. The Task Force on Climate-related Financial Disclosures (TCFD) is a framework that aims to help companies and investors measure, manage, and report their climate-related risk exposures and opportunities in a consistent manner. Large pension schemes are already subject to TCFD requirements and the Trustee should prepare for the Fund to come into scope in future.

The Trustee receives updates their advisers and asset managers about how climate risks are allowed for in the Fund's investment strategy. The Trustee's policy on environmental, social and governance (ESG) risks, including climate change, is included in the Fund's Statement of Investment Principles.

Appendix A - Summary of member data

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. All average ages are weighted by the proposed Scheme Funding liability.

Active Members

	31 March 2022			31 March 2019		
	Number	Average age	Salaries £000s pa	Number	Average age	Salaries £000s pa
Males	0	0	0	25	53	1,730
Females	0	0	0	5	48	123
	0	**0**	**0**	**30**	**53**	**1,853**

Deferred Members

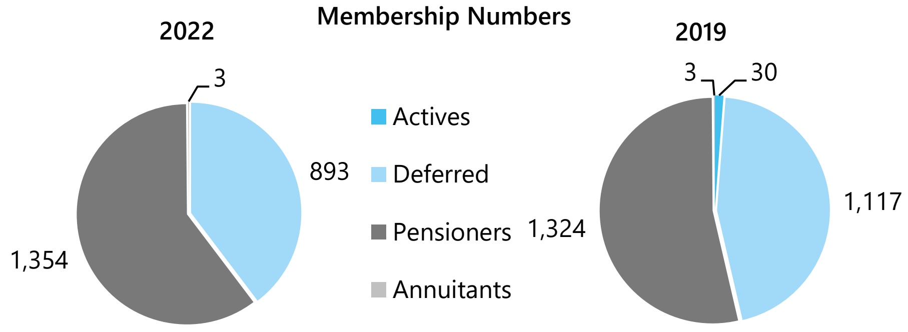
	31 March 2022			31 March 2019		
	Number	Average age	Pension at Date of Leaving £000s pa	Number	Average age	Pension at Date of Leaving £000s pa
Males	528	58	2,041	672	56	2,975*
Females	365	56	834	445	55	1,187*
	893	57	2,875	1,117	56	4,162*

**2019 data showed pensions at Valuation Date for deferred members already over NRA*

Pensioner Members

	31 March 2022			31 March 2019		
	Number	Average age	Pension at Valuation Date £000s pa	Number	Average age	Pension at Valuation Date £000s pa
Males	732	72	10,670	722	72	10,852
Females	622	73	4,951	602	73	4,217
	1,354	73	15,621	1,324	72	15,069

In addition, the Fund had 3 pensioner annuitants at both valuation dates, with total pensions of £130k pa as at 31 March 2022 (compared with £129k pa as at 31 March 2019). The deferred member figures include 5 deferred annuitants at both valuation dates.



**2019 data showed pensions at Valuation Date for deferred members already over NRA*

Appendix B - Summary of benefits

The following is a summary of the main Fund benefits only. Full details are set out in the Fund's documentation. No action should be taken based on the summary below without referring back to the formal documentation.

General provisions	
Eligibility:	The defined benefit sections are closed to new members and to further accrual of benefits.
Contracting-out status:	The Fund ceased contracting-out of the State Second Pension on 5 April 2016.
Member categories:	Members are divided into: • The 'A' scheme – a closed section providing defined benefits • 40 'B' schemes, each with separate benefit memoranda

Pension benefits	
Normal Retirement Age:	MS Amlin Group Pension Scheme: • 60 for benefits accrued before April 2006 • 65 for benefits accrued after April 2006 For other B schemes, the normal retirement age is as defined in the memoranda.
Increases in deferment:	It is our understanding that all benefits under 'A' and 'B' schemes receive statutory indexation in deferment, subject to application of the discretionary underpin recorded in the membership data.
Commutation of pension:	We understand that a lump sum up to the maximum permitted under the Finance Act 2004 applies for all sections.
Increases in payment:	Set out overleaf.

Death benefits	
Death in deferment:	B Scheme specific pension and lump sum requirements subject to eligibility requirements, as set out in the individual scheme memoranda.
Death after retirement:	B Scheme specific pension and lump sum requirements subject to eligibility requirements, as set out in the individual scheme memoranda.

Appendix B - Summary of benefits

The table to the right shows the pension increases which we understand apply to each section of the Fund. This information was supplied to us at the time of the previous valuation by the Pensions Manager.

For all other sections within the Fund, statutory increases in payment apply as follows:

- Pension accrued before April 1997 – nil
- Pension accrued between April 1997 and April 2005 – 5% LPI (based on CPI)
- Pension accrued on or after April 2005 – 2.5% LPI (based on CPI)

Scheme Name	Pension increases in payment
MS Amlin Group	**Omega, Gamma and Execs Sections:** Pre 97 – 3%pa Between 97 and 06 – CPI (min 3%pa, max 5%pa) Post 06 – RPI (max 3%pa) **Delta section:** Pre 97 – RPI (max 5%pa) Between 97 and 06 – RPI (max 5%pa) Post 06 – RPI (max 3%pa)
Archer Group	Pre 97 - Fixed 3%pa Post 97 - CPI (min 3%pa, max 5%pa)
BMT	Pre 97 - nil Between 97 and 06 - CPI (max 5%pa) Post 06 – CPI (max 3%pa)
Corp Lloyds (LUNCO)	Pre97 – Fixed 4%pa
Denham Syndicate Management Limited	Pre 97 - 4%pa Post 97 - CPI (min 4%pa, max 5%pa)
Morgan Fentiman	Pre 97 - 4%pa Post 97 - CPI (min 4%pa, max 5%pa)
Mumford	Pre 97 – CPI (max 5%pa) Between 97 and 06 – CPI (max 5%pa) Post 06 – CPI (max 3%pa)
Sturge (E), (H), (O) & (S)	(S), (O), (H) and (E) category 1 members – Statutory (E) categories 2, 3, 4 and 5– Fixed 5% pa on reduced pension the member would receive if take maximum cash on the former IR maximum.

Appendix C - Summary of assets and contributions

Assets at 31 March 2022

	£000s	Asset allocation
UK equities	48,698	11%
Overseas equities	14,502	3%
UK fixed interest bonds	31,629	7%
UK index linked bonds	145,567	33%
UK corporate bonds	30,732	7%
Overseas bonds and government securities	163,103	37%
Annuities	4,581	1%
Cash	2,187	1%
Total investments	**440,999**	**100%**
Members' additional voluntary contributions	326	
Net current assets	7,144	
Total market value of assets	**448,469**	

The actual return achieved on the Fund's investments since the previous valuation was approximately 4.1% pa.

Contributions since previous valuation

The previous valuation resulted in a formal Schedule of Contributions being put in place with effect from 1 July 2020. The contributions payable under this schedule can be summarised as follows:

- To address the deficit revealed at the last valuation, a contribution of £4.94m pa, payable by 31 March each year between July 2020 and March 2023 and a contribution of £3.92m payable by 31 March each year between April 2023 and March 2026.
- In respect of future accrual of benefits MSACSL paid 40.6% of Scheme Salaries (or Current Pensionable Salaries as applicable) from July 2020. LSF Pensions Management Ltd also paid 56.5% of Scheme Salaries for active members in the LSF Staff Pension B Scheme.

Following the closure of the Fund to future accrual of benefits in November 2020, no further contributions were due in respect of future accrual, as set out in the Schedule of Contributions dated 29 April 2021.

I understand that contributions have been paid in accordance with this schedule. Over the period since the previous valuation, the actual contributions that have been paid to the Fund were as follows:

Contributions (£000s) for the year ending:	31 March 2022	31 March 2021	31 March 2020
Deficit contribution – Employer	4,940	4,940	1,242
Normal contributions – Employer	0	288	544
Normal contributions – Member	0	37	81
Contributions to meet expenses	0	0	0
Contributions to meet death-in-service premiums	9	10	9
Special Contributions	0	0	12

Appendix D - Summary of assumptions

	31 March 2019 Technical Provisions	31 March 2022 Technical Provisions	31 March 2022 Neutral basis	31 March 2022 Solvency estimate
Discount Rate	Investment strategy returning gilts + 1.40% pa until 2022 Trending down linearly to gilts + 0.50% pa by 2032	Investment strategy returning gilts + 1.25% pa Trending down linearly to gilts + 0.50% pa by 2030 and thereafter gilts + 0.50% pa	Investment strategy returning gilts + 2.00% pa Trending down linearly to gilts + 1.60% pa by 2032 and thereafter gilts + 0.50% pa	Based on estimates of insurer pricing using information provided to Barnett Waddingham. Equivalent to a discount rate of gilts + 0.35% at the valuation date
Price inflation (RPI)	Consistent with data published by the Bank of England	Consistent with data published by the Bank of England supplemented with Merrill Lynch gilt yield data at short terms	Consistent with data published by the Bank of England supplemented with Merrill Lynch gilt yield data at short terms	In line with Merrill Lynch UK RPI swap rates
Price inflation (CPI)	RPI inflation less 1.0% pa	2022: RPI inflation less 2.0% pa 2023-2030: RPI inflation less 1.0% pa Post 2030: In line with RPI inflation	2022: RPI inflation less 2.0% pa 2023-2030: RPI inflation less 1.0% pa Post 2030: In line with RPI inflation	2023-2030: RPI inflation less 0.7% pa (pre-retirement) and less 0.5% pa (post-retirement) Post 2030: RPI inflation less 0.1% pa
Pension Increases	Based on relevant inflation assumption allowing for any caps or collars			
Salary Inflation	Amlin: nil Mumford: nil LSF: 2.40% pa	n/a	n/a	n/a
Mortality tables – members with smaller pensions *Under £20,000 pa (2019 valuation)* *Under £21,500 pa (2022 valuation)*	102% of S3PMA for males and 96% of S3PFA for females	110% of S3PMA for males and 96% of S3PFA for females	113% of S3PMA for males 99% of S3PFA for females	110% of S3PMA for males and 96% of S3PFA for females

Appendix D - Summary of assumptions

	31 March 2019 Technical Provisions	31 March 2022 Technical Provisions	31 March 2022 Neutral basis	31 March 2022 Solvency estimate
Mortality tables – members with larger pensions: *Over £20,000 pa (2019 valuation)* *Over £21,500 pa (2022 valuation)*	87% of S3PMA_VL for males 87% of S3PFA_VL for females	93% of S3PMA_L for males 93% of S3PFA_L for females	96% of S3PMA_L for males 96% of S3PFA_L for females	93% of S3PMA_L for males 93% of S3PFA_L for females
Allowance for improvements in life expectancy	CMI 2018 projection model with long-term improvement rate of 1.50% pa, a period smoothing parameter of 7.0 and an initial rate addition of 1.0% pa Projections applied from April 2015 onward	CMI_2021 with a long-term improvement rate of 1.5% pa., a period smoothing parameter of 7.0, an initial addition parameter of 0.75% pa, a 2020 and 2021 weighting parameter of 0%	CMI 2021 projection model with long-term improvement rate of 1.5% pa, a period smoothing parameter of 7.0, an initial rate addition of 0.75% pa, a 2020 and a 2021 weighting parameter of 15%	CMI_2021 with a long-term improvement rate of 1.5% pa, an initial addition parameter of 1.0% pa, a period smoothing parameter of 7.0, a 2020 and 2021 weighting parameter of 0%
Proportion married at retirement	Actives: 80% of members married at valuation date Other members: Based on actual Fund data	Based on actual Fund data	Based on actual Fund data	Based on actual Fund data
Age difference between husbands and wives	Based on actual Fund data. Where data is not held, husbands assumed to be 3 years older than wives			
Allowance for early retirements	None			
Allowance for withdrawals	None			
Allowance for cash commutation	17.5% of pension commuted on neutral basis terms			Nil
Allowance for expenses	3% of Fund liabilities	Reserve of £4.9m	Reserve of £4.9m	1.25% of Fund liabilities
Allowance for GMP equalisation	Estimated reserve using Fund data	Estimated reserve using Fund data Additional provision of £3m for Lloyds 3	Estimated reserve using Fund data Additional provision of £3m for Lloyds 3	Estimated reserve using Fund data Additional provision of £3m for Lloyds 3
Allowance for transfers out	10% of members opt to transfer out on neutral basis terms	10% of members opt to transfer out on 98.5% of neutral basis terms	10% of members opt to transfer out on 98.5% of neutral basis terms	Nil

Appendix D - Summary of assumptions

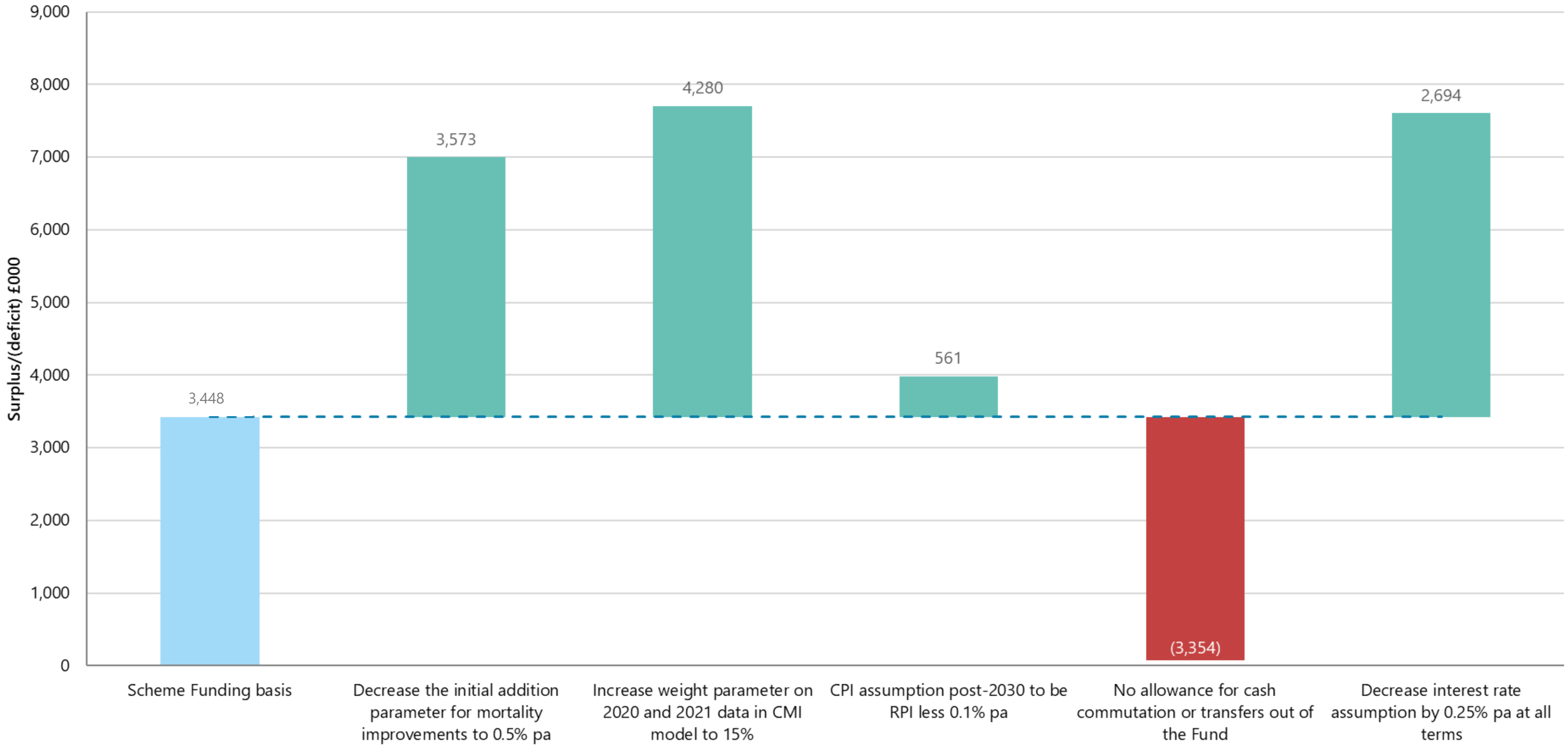
	31 March 2019 Technical Provisions	31 March 2022 Technical Provisions	31 March 2022 Neutral basis	31 March 2022 Solvency estimate
Future service control period	Amlin & Mumford – 7 years LSF – Future working lifetime of active members	n/a	n/a	n/a

The basis used for the solvency estimate reflects a general view of annuity pricing, based on Barnett Waddingham's research into the insurance market and taking account of the pricing that Barnett Waddingham has observed across a range of transactions. These prices will include the insurer's anticipated running costs for the future administration of the pensions. Whilst I am satisfied that these assumptions are appropriate for the purpose of the solvency estimate, and in particular that this estimate satisfies the requirements of Regulations 7(4)(b) and 7(6)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005, the Trustee should understand that my calculations are only intended to provide a broad indication of likely annuity costs, and that an actual quotation could differ materially from this estimate.

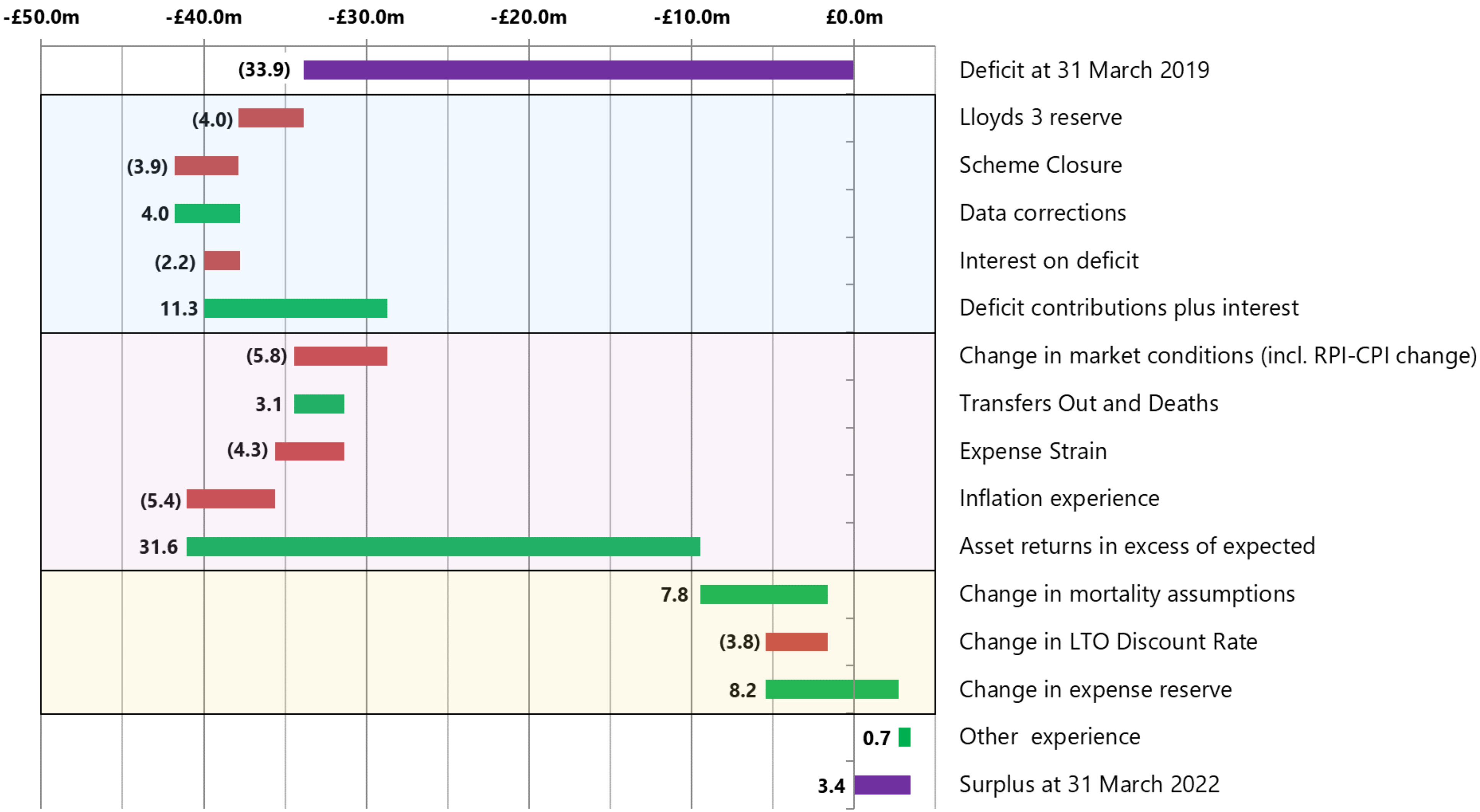
The expenses associated with discontinuing a pension scheme are difficult to predict and can be significant. For the purposes of my calculations, I have made an allowance for expenses of £6,002,000, being 1.25% of the solvency liabilities, in addition to insurer expenses which are allowed for in the solvency basis assumptions. Although I believe this allowance to be a reasonable provision for the purposes of the valuation, it should not be seen as an estimate or quotation of the likely expenses involved.

Appendix E - Sensitivity analysis

The statutory funding position is sensitive to the assumptions made regarding future experience. The following table illustrates the impact on the funding position of making different assumptions at the valuation date, with each bar showing the change in the surplus relative to the Scheme Funding basis.



Appendix F - Reconciliation to previous valuation



Appendix G - Valuation documents

The following documents have been agreed between the Trustee and Employer as part of the valuation process and are included in this appendix:

- Statement of Funding Principles, setting out the Trustee's funding objectives and the action to be taken if those objectives are not met.
- Schedule of Contributions, setting out the contributions payable to the Fund by the Employer from 16 May 2023 to 31 March 2030.

The following actuarial certificates are required as part of the valuation process and are included in this appendix:

- Certification of the calculation of the Technical Provisions, which confirms that the Technical Provisions have been calculated in accordance with the regulations and the Trustee's Statement of Funding Principles.
- Certification of the Schedule of Contributions, which confirms that the Statutory Funding Objective could have been expected, on 31 March 2022, to be met for the period for which the Schedule is expected to be in force.

Section 179 valuation

A certificate setting out the results of the Section 179 valuation using the method and assumptions prescribed by the PPF is also included in this appendix.

Statement of Funding Principles

Lloyd's Superannuation Fund

Dated: 16 May 2023

Table of Contents

1) Introduction

1.1 This Statement has been prepared by LSF Pensions Management Limited (the "Trustee"), the corporate Trustee of the Lloyd's Superannuation Fund (the "Fund"), after obtaining the advice of Mr R Gibson, the Fund's Scheme Actuary, and has been agreed with MS Amlin Corporate Services Limited (the "Sponsoring Employer"). The purpose of the Statement is to record the agreed principles upon which the Fund is to be funded and to enable the Scheme Actuary to carry out any appropriate actuarial valuations.

1.2 This Statement sets out, as required under the Pensions Act 2004, the Fund's statutory funding objective, the Trustee's policy for securing that the statutory funding objective is met and the period within which any failure to meet the statutory funding objective is to be remedied. It also contains other information required under the Act, including the methods and assumptions to be used in calculating the Fund's technical provisions.

1.3 This Statement replaces the previous such Statement dated 1 July 2020.

1.4 References to Employers include all those who participate as employers in the Fund from time to time, whether as Principal Employer or Associated Employer.

2) Statutory funding objective

2.1 The statutory funding objective is that the Fund should hold sufficient and appropriate assets to cover its technical provisions. Technical provisions means the amount required, on an actuarial calculation, to make provision for the Fund's liabilities. In the case of the Fund, the technical provisions are to be calculated as the sum of:

- the additional voluntary contribution balances attributable to defined benefit members; plus
- the amount expected to be required to provide for the benefits for defined benefit members arising from service completed up to the measurement date, and an allowance for the expected expenses of administering the Fund for which provision has not otherwise been made in the Fund's Schedule of Contributions. This is taken to include all levies payable to regulatory bodies (excluding the Pension Protection Fund levy if separate provision is to be made in the Fund's Schedule of Contributions for these levies as they arise), based on assumptions about what the future will bring. The assumptions used will be agreed as set out in this Statement.

2.2 No allowance will be included in the technical provisions for any liabilities that are expected to be secured shortly with an insurer and where assets have already been transferred to the insurer in respect of those liabilities.

3) Process for assessing sponsor covenant

3.1 Prior to the completion of an actuarial valuation the Trustee will assess the strength of the sponsoring employers' covenant. To do this the Trustee will take professional advice, review the strength of the Sponsoring Employer and will hold discussions with relevant senior management within the Sponsoring Employer.

3.2 Using the information obtained the Trustee will make an objective assessment of the Sponsoring Employer's willingness and ability to support the Fund. In doing so, the Trustee will consider the contributions likely to be required in the normal course of events as well as the support that might be called upon in more extreme scenarios, including that in which any Employers become insolvent. It will also have regard to any contingent assets that may be put in place.

3.3 A deed of participation has been entered into by the Trustee and MS Amlin Corporate Member Limited and others, and a guarantee has been provided by MS Amlin Corporate Member Limited in favour of the Trustee under which MS Amlin Corporate Member Limited guarantees the obligations of MS Amlin Corporate Services Limited to pay the employer contributions and deficit recovery contributions (if any) under the schedule of contributions agreed in relation to the Fund from time to time. The Trustee will therefore also consider the strength of MS Amlin Corporate Member Limited when considering the matters set out at this section 3.

3.4 Throughout the inter-valuation period the Trustee will monitor the strength of the Sponsoring Employer and MS Amlin Corporate Member Limited. In the event of a significant change in the covenant, the Trustee would discuss with the Sponsoring Employer whether this funding plan should be amended.

4) Process for agreeing assumptions

4.1 At each actuarial valuation, the Scheme Actuary will prepare projections on a range of possible assumptions consistent with the principles in this Statement and will discuss the results of these calculations with the Trustee.

4.2 The Trustee will consult with the Sponsoring Employer with a view to reaching common agreement on the funding policy and principles to be adopted, and on the assumptions on which the technical provisions should be determined.

4.3 The Appendix to this Statement sets out the specific assumptions that have been adopted – and agreed between the Trustee and Sponsoring Employer – for the valuation carried out with an effective date of 31 March 2022. It is anticipated that the technical detail in the Appendix will be subject to review at subsequent valuations to reflect new economic or demographic information available.

5) Agreed funding principles

Introduction

5.1 This section sets out the methods and assumptions used in calculating the Fund's technical provisions and the period within which, and the manner in which, any failure to meet the statutory funding objective is to be remedied.

5.2 The amounts included in the technical provisions in respect of the voluntary contribution balances will be as stated in the audited accounts for the Fund. The amount in respect of defined benefit members' benefits will be determined in accordance with the principles set out below.

General

5.3 The Trustee and the Sponsoring Employer accept that it would normally be in the long-term interests of the members and their dependants to agree principles that provide security of funding, and in doing so recognise that a balance has to be struck between the interests of the members and the Sponsoring Employer.

5.4 The Trustee accepts that it is the Sponsoring Employer's intention to meet the promise to pay for the liabilities in full as they fall due. For the purpose of setting the methods and assumptions to be used, the Trustee will assume that the Sponsoring Employer continues indefinitely to be able to pay contributions as required and does not become insolvent, to the extent that this is supported by the covenant advice received by the Trustee and permitted by regulation.

5.5 The Trustee may assume that the Fund will be able to capture part of the expected investment premium available from asset classes other than Government Securities, and may hold investments in other asset classes. The Trustee and the Sponsoring Employer acknowledge in doing so that the additional return expected from these other assets is not guaranteed, and that it may be necessary to request further contributions following future valuations if investment returns are below the level assumed.

5.6 The Trustee and the Sponsoring Employer acknowledge that the Trustee is required to adopt a prudent approach to determining the Fund's technical provisions.

Mortality

5.7 The Trustee and the Sponsoring Employer recognise the difficulty in projecting accurately the likely levels of mortality experienced by Fund members in future. They will consider available trends and analysis in reaching their conclusion as to the appropriate allowance at the time of each valuation.

Investment return

5.8 The Trustee and the Sponsoring Employer will consider what a realistic allowance might be for future investment returns on the different asset classes in which the Fund is likely to invest, and will base the funding assumptions on these returns, with a prudent margin to take account of the unpredictability surrounding investment returns.

5.9 The investment return assumption will be set relative to the Fund's expected returns based on its investment strategy, and then adjusted for prudence. The returns will be expressed relative to UK Government bonds over terms appropriate to the Fund's liabilities. The adjustment for prudence will also take into account the strength of the Sponsoring Employer's covenant.

5.10 The Trustee and Sponsoring Employer will also consider the likely progress of the Fund's assets relative to its technical provisions and long-term objective and the strength of covenant of the Sponsoring Employer relative to any current or likely future shortfall against this measure.

Manner in which any excessive surplus identified may be dealt with

5.11 As indicated in 'Section 7: Transferring assets to the Employers', no assets may be returned to the Employers. Accordingly, the Trustee has made provision for employer contributions to be paid into the nominated Escrow II account (provided appropriate terms can be agreed). However, should excessive surpluses arise the Trustee and the Sponsoring Employer may consider a number of alternatives to reduce the surplus, which could include de-risking the Fund's investment portfolio.

Period within which, and manner in which, any failure to meet the statutory funding objective is to be remedied

5.12 If the assets are not sufficient to cover the technical provisions, then the Sponsoring Employer (or an Employer nominated for this purpose by the Sponsoring Employer and agreed with the Trustee) will pay additional contributions so that the projections (on the assumptions described in this Statement) indicate that the Fund will satisfy the objective within a reasonable period of time ("the recovery period") as agreed with the Sponsoring Employer. The recovery period set will have regard to the materiality of the deficit, the cause of the deficit, the strength of the relevant Employers' covenant and any contingent assets that have been put in place.

6) Frequency of actuarial valuations

6.1 Each valuation should be carried out with an effective date no more than three years after the preceding one. Each year, between valuations, the Scheme Actuary will provide an estimate of the up-to-date financial position of the Fund relative to the statutory funding objective.

6.2 The Trustee and Sponsoring Employer recognise that there is likely to be short term volatility between the value of the assets and the amount required to meet the liabilities, and the updates provided by the Scheme Actuary will not normally lead to changes in the required contributions ahead of the next valuation unless, after discussion, the Trustee and the Sponsoring Employer agree upon them.

6.3 The Trustee and/or Sponsoring Employer may request a valuation at any time should they so wish. The Trustee might consider doing this, if there is any event which might have a significant effect upon an Employer's covenant, if there is a significant change to the benefit provisions of the Fund, if there is a significant change in the membership for any reason, or if there are any other factors that the Trustee considers would have a material impact on the Fund's finances. For the avoidance of doubt the Trustee is not obliged to carry out a valuation if the Sponsoring Employer so requests.

7) Transferring assets to the Employers

7.1 Both the Fund Rules and pensions legislation limit the circumstances in which any surplus may be transferred to the Employers. Under the Fund Rules, no payment can be made to the Employers.

8) Cash equivalent transfer value calculations

8.1 Cash equivalent transfer values ("CETVs") are calculated by reference to assumptions determined by the Trustee based on actuarial advice. They are available to members who leave service up to one year before Normal Pension Age, and available at the Trustee's discretion at later ages. The Trustee will consider, following the completion of each actuarial valuation (and, if it considers it appropriate, on receipt of other relevant information concerning the Fund's financial position) whether it remains appropriate to continue to pay transfer values without reduction. In doing so it will seek the advice of the Scheme Actuary and will have regard to relevant legislative requirements.

9) Contributions other than by members or Employers

9.1 There are no arrangements for contributions to be made to the Fund other than by members or the Sponsoring Employer.

10) Confirmation of advice from the Actuary and agreement of the Sponsoring Employer

10.1 The Trustee confirms that it has received advice from the Scheme Actuary concerning this Statement and that it agreed the contents of this Statement at its meeting on 10 May 2023. The Sponsoring Employer confirms their agreement to the contents of this Statement.

For and on behalf of the Trustee:

LSF Pensions Management Ltd
Trustee of the Lloyd's Superannuation Fund

Eric Stobart
…………………………………………

For and on behalf of the Sponsoring Employer:

Julian Scofield
…………………………………………

MS Amlin Corporate Services Ltd
as Sponsoring Employer and as Principal Employer of the Amlin Group Pension Scheme with Lloyd's Superannuation Fund and the Mumford Pension Scheme with Lloyd's Superannuation Fund

Dated: **16 May 2023**

Appendix

Summary of assumptions used for the 2022 actuarial valuation

Other than as described in previous sections, the Trustee has made decisions in the following areas relating to the valuation as at 31 March 2022.

Funding method

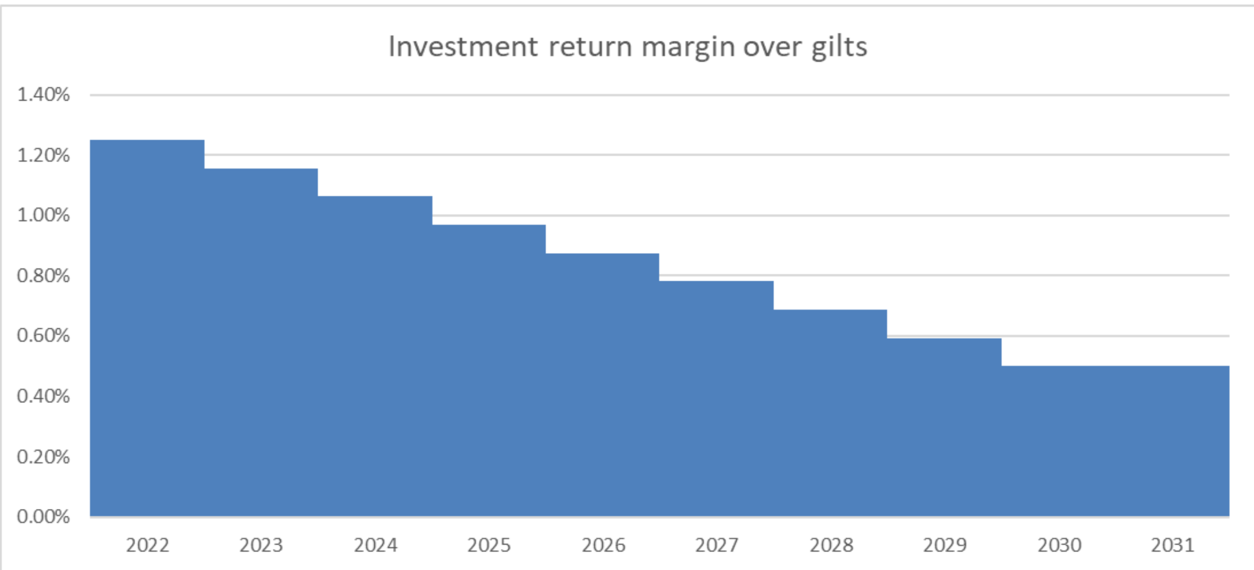
The element of the technical provisions relating to defined benefit members is calculated as the amount expected to be required to provide the prospective benefits payable arising from service completed up to the effective date of the valuation, including, where appropriate, allowance for prospective increases to members' accrued benefits as a result of deferred pension revaluation, as appropriate.

Allowance is included in the technical provisions for some expected future expenses of administration and management of the Fund when considering a wind-up. The level of allowance will be reviewed by the Trustee at future valuations alongside the commitment of the Sponsoring Employer to pay expenses arising.

Investment return assumptions

The Trustee and the Sponsoring Employer recognise that the way in which the Fund is invested will have an impact on the future investment returns actually achieved by the Fund's assets. This in turn could impact the contributions payable to the Fund to meet the balance of the cost of benefit provision.

The graph below sets out the prudent notional investment return over gilt yields of the appropriate term for each Fund year (commencing 31 March) that is assumed to be adopted for funding purposes for the actuarial valuation. The actual investment strategy will be determined to ensure these returns can prudently be achieved.



The assumed investment returns reflect an intention that the Fund de-risks to a low risk investment strategy over time. It should be noted that the Fund's actual investment strategy may not de-risk in exactly the same manner as implied by the graphic above. The Trustee and Sponsoring Employer agree that different notional strategies or approaches for determining the investment return may be appropriate in light of the actual investment strategy adopted.

The Trustee regards the assumptions used to set the technical provisions as reasonably prudent. However, the Trustee and Sponsoring Employer recognise that, although the Trustee has taken steps to reduce the volatility within its actual investment strategy, investment conditions may be very volatile, particularly in the short term, and consequently there is a material risk that the contributions payable under the agreed funding plan will prove insufficient and that additional contributions would be required.

Other financial assumptions and demographic assumptions, including mortality.

The Trustee decided, following discussions held with the Scheme Actuary and the Sponsoring Employer during the actuarial valuation process, to use the assumptions which are detailed below. These assumptions were chosen having regard to the recent experience of the Fund and anticipated future trends.

In particular, the mortality assumption takes account of the experience analysis of the Fund over the period to 30 September 2021, taking account of pension size, and the socio-economic profile of members. Together with an allowance for future mortality improvements, this assumption is considered by the Trustee to be a reasonable and prudent basis on which to set the funding policy for the Fund in the light of the other assumptions adopted and the strength of the Sponsoring Employer's covenant.

Discretionary benefits

A description of the treatment under the funding plan of the main discretionary practices followed by the Trustee and the Employers is set out in the following paragraphs.

Pension increases

Most pensions payable under the Fund are not guaranteed to increase. Although some discretionary increases were awarded to such pensions in the past, such an award has not been made since 1999 and it has therefore been agreed that no allowance will be made in the funding plan for discretionary increases to pensions in payment.

Some pensions in payment under the Fund are guaranteed to increase in line with inflation (generally the Consumer Prices Index but in some cases the Retail Prices Index) but subject to a cap, generally of 2.5% pa, 3% pa or 5% pa, and a floor, generally of 0% pa or 3% pa. Pensions under some sections receive a guaranteed fixed level of increase. The Trustee and Sponsoring Employer have agreed that, when calculating the technical provisions at future valuations, pension increases will be assumed to vary in line with a model that allows for anticipated future inflation volatility, subject to any relevant caps and floors.

Early retirement

In many sections of the Fund a member may retire before Normal Pension Age with the consent of the Trustee and, in certain circumstances, after consulting with the relevant Employer. The terms on which this is allowed are not always neutral as far as the cost to the Fund is concerned. No allowance is included in the technical provisions for any additional costs that might arise in such circumstances. However, the Trustee will monitor the additional strains arising and discuss any additional funding required with the Sponsoring Employer as and when such benefits are awarded. It is expected that, in most circumstances where the additional strains are not significant in the view of the Trustee, any strains arising will be addressed at successive actuarial valuations.

Increases to deferred pensions

In the past, the Trustee has awarded annual discretionary increases to deferred pensions before they come into payment. However, such an award has not been made since 1999. In light of the Trustee's stated policy of not awarding such increases in the foreseeable future, there is no provision for such future increases included in the funding plan.

Further, a higher level of revaluation is typically awarded on a discretionary basis to members whose Normal Pension Age falls before their Guaranteed Minimum Pension (GMP) payment age. Full allowance is made for such deferred members to receive the higher level of benefit, reflecting their GMP benefits being payable from Normal Pension Age together with revaluation on the GMP. The Trustee and Sponsoring Employer will continue to monitor the cost of this discretion at each valuation.

Contingent benefits

Dependants' pensions

On the death of a member, the Trustee may decide that an individual qualifies to receive a pension as a Dependant under the rules for some sections of the Fund. For all members, their marital status is based on actual data held by the Fund, taken to be correct at the valuation date. For members who are recorded as single in the Fund data and who did not respond to the spouse existence exercise in 2018 and who have not provided updated marital data since, it is assumed that 10% of members have an eligible spouse or dependant.

Member options

The Trustee may allow, or is required to allow, a member to exercise certain options, including:

- converting a member's additional voluntary contribution funds into pension on retirement
- commuting pension for lump sum at retirement
- taking voluntary early or late retirement
- transferring their benefits to another pension arrangement with a transfer value being paid from the Fund.

The terms on which these conversions occur are generally set at the Trustee's discretion and are reviewed periodically. To the extent that these conversion terms differ from those which would be calculated using the method and assumptions consistent with those used for determining the technical provisions, there may be a financial gain or loss in the Fund relative to these assumptions when a member exercises the relevant option.

The calculation of the technical provisions allows for members to commute 17.5% of their pension at retirement age on terms consistent with the Trustee's best estimate of future experience.

The calculation of the technical provisions also allows for 10% of non-pensioners to transfer out their pension immediately prior to retirement age on terms consistent with the Trustee's best estimate of future experience.

Apart from these commutation and transfer out allowances, no advance allowance is included for the other member options described above in the calculation of the technical provisions.

The Trustee and the Sponsoring Employer understand the approach adopted in respect of each of the discretionary practices described above and are content with the allowances made.

These assumptions are summarised in the following table:	Technical Provisions as at 31 March 2022
Discount rate and investment strategy underlying funding basis	Investment strategy prudently returning gilts + 1.25% pa Trending down linearly for each Fund year to a portfolio prudently returning gilts + 0.50% pa by 1 April 2030
Price inflation (RPI)	Consistent with data published by the Bank of England supplemented with Merrill Lynch gilt yield data at short terms
Price inflation (CPI)	1 Apr 2022 – 31 Mar 2023: RPI inflation less 2.0% pa 1 Apr 2023 – 31 Mar 2030: RPI inflation less 1.0% pa Post- 1 Apr 2030: In line with RPI inflation
Salary increases	n/a
Mortality table – Members with pensions under £21,500 pa	110% of S3PMA table for males 96% of S3PFA for females
Mortality table – Members with pensions over £21,500 pa	93% of S3PA_Light table
Allowance for improvements in life expectancy	CMI 2021 projection with long-term rate of improvement of 1.5% pa, a period smoothing parameter of 7.0 and an initial rate addition of 0.75% pa and a 2020 and 2021 weighting parameter of 0%
Age difference between husbands and wives	Based on actual Fund data. Where data is not held, husbands assumed to be 3 years older than wives.
Proportion married	Based on actual Fund data with assumption for 10% of members to be married at the valuation date where recent data not held
Allowance for early retirements	None
Allowance for cash commutation	17.5% of pension commuted on best estimate terms
Allowance for transfers out	10% of members opt to transfer at retirement on 98.5% of best estimate CETV terms

These assumptions are summarised in the following table:	Technical Provisions as at 31 March 2022
Allowance for ongoing administration and management expenses	Reserve of £4.9m Expenses incurred by the Fund between 1 July 2023 and 31 March 2030 are separately addressed through the Schedule of Contributions
Other expenses	PPF levies are excluded from the technical provisions as they are payable under the Schedule of Contributions as they arise
Allowance for investment expenses	Expected returns are assumed to be net of fees
Allowance for requirements of sex equalisation on GMP benefits	Reserves held pending Trustee investigation of these issues: • £5million in respect of ongoing Fund members, representing broadly: ○ 3.4% of GMP liability for members where excess benefits for the relevant period were increasing in payment ○ 11% of GMP liability for members where excess benefits for the relevant period were non-increasing in payment who are GMP-only members ○ 3.7% of GMP liability for members where excess benefits for the relevant period were non-increasing in payment who are not GMP-only members ○ Corresponding allowances in respect of past payments to these members, with interest • £4million in respect of top-ups for members who previously transferred out of the Fund (representing ca.1% of past transfers and buy-outs paid together with interest)

Schedule of Contributions

Lloyd's Superannuation Fund

Introduction

This Schedule of Contributions has been prepared by LSF Pensions Management Limited ("the Trustee") in its capacity as trustee of the Lloyd's Superannuation Fund ("the Fund").

This Schedule specifies, for the period from the date of certification of this schedule to 31 March 2030, the rates and due dates of employer and employee contributions to the Fund. It is subject to review from time to time as required by legislation and by the Fund's Rules and following actuarial investigations.

Employer contributions

Defined Benefit Section

in respect of benefit accrual

Following the closure of the Fund to future benefit accrual on 30 November 2020, no further contributions are required from MS Amlin Corporate Services Limited, nor any other Associated Employer, to provide for benefit accrual.

in respect of expenses and levies

MS Amlin Corporate Services Limited, or an Associated Employer nominated by MS Amlin Corporate Services Limited and agreed with the Trustee, shall pay directly:

- Any expenses of the Fund, including investment management charges and Pension Protection Fund levies, for services rendered from 1 July 2023 onwards, invoiced to MS Amlin Corporate Services Limited in respect of expenses incurred by the Trustee (excluding those which have been deducted from the Fund's invested assets at source):
  (i) that are within the scope of the Expense Sharing Framework agreed between the Trustee and MS Amlin Corporate Services Limited on 10 May 2023, as amended by agreement of the Trustee and MS Amlin Corporate Services Limited from time to time; and
  (ii) that are properly submitted by the Trustee to MS Amlin Corporate Services Limited under the terms of that Framework.

  Payment of which is to be made within the timescales specified for payment in that Framework current at the date that the invoice is submitted to MS Amlin Corporate Services Limited.

Payments into escrow

During the period covered by this schedule, employer contributions in the amounts shown in the table below shall be paid into the escrow II account referenced in those documents by the dates shown in the table below by MS Amlin Corporate Services Limited, or on behalf of MS Amlin Corporate Services Limited by an Associated Employer nominated for this purpose by MS Amlin Corporate Services Limited and agreed with the Trustee in advance of the payment falling due:

Date	Amount
by 31 March 2024	£3,710,000
by 31 March 2025	£3,710,000

by 31 March 2026	£3,710,000

Defined Contribution Section

Employer core and matching contributions

Following the closure of the Fund to future accrual from 30 November 2020, there are no active members accruing benefits under the defined contribution section, and no further contributions are due.

Employee contributions

Defined Benefit Section

Following the closure of the Fund to future accrual from 30 November 2020, there are no active members accruing benefits under the defined benefits section, and no further contributions are due.

Additional Voluntary Contributions

No members will be permitted to pay additional voluntary contributions.

Miscellaneous payments

Augmentation costs

Contributions may need to be paid in addition to those set out in this schedule if benefit improvements or augmentations are made, particularly if there is no allowance made for such benefit augmentations in the funding plan set out in the Statement of Funding Principles. The amounts of such contributions should be determined in accordance with the Rules of the Fund and remitted to the Trustee within 1 month of the date the augmentation is agreed by the Trustee and MS Amlin Corporate Services Ltd or to reflect any other such terms as may be agreed between the Trustee and MS Amlin Corporate Services Ltd.

Other contributions

Further contributions must be paid in accordance with the Fund Rules and legislation, as required from time to time (for example if a scheme is terminated or an employer ceases to participate in the Fund).

All contributions are subject to review at subsequent actuarial investigations for the Fund.

Nothing in this schedule shall preclude the payment of higher contributions than set out above or the payment of contributions sooner than set out above. Such contributions can be treated as being covered by this Schedule.

A deed of participation has been entered into by the Trustee and MS Amlin Corporate Member Limited and others, and a guarantee has been provided by MS Amlin Corporate Member Limited in favour of the Trustee under which MS Amlin Corporate Member Limited guarantees the obligations of MS Amlin Corporate Services Limited to pay employer contributions and deficit recovery contributions (if any) under the schedule of contributions agreed in relation to the Fund from time to time. Those agreements may lead to obligations to make payments to the Fund other than as set out in this schedule.

Agreement of Employers and Trustee

The Trustee confirms it has received advice from the Scheme Actuary concerning the contents of this schedule and that it agreed the contents of this statement.

The Employers confirm their agreement to the contents of this schedule.

For and on behalf of the Trustee:

LSF Pensions Management Ltd,
Trustee of the Lloyd's Superannuation Fund

Eric Stobart

For and on behalf of the Employers:

MS Amlin Corporate Services Ltd as Principal Employer

Julian Scofield

Appendix A

Certification of the Schedule of Contributions

Name of scheme: **Lloyd's Superannuation Fund**

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected, on 31 March 2022, to be met for the period for which the Schedule is expected to be in force.

I also certify that any rates of contributions forming part of this Schedule which the Fund requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule, the Statement of Funding Principles and any Recovery Plan.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 16 May 2023.

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 Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature:	*Richard Gibson*	Date:	**16 May 2023**
Name:	**Richard Gibson**	Qualification:	**Fellow of the Institute and Faculty of Actuaries**
Address:	**2 London Wall Place** **123 London Wall** **London** **EC2Y 5AU**	Employer:	**Barnett Waddingham LLP**

Lloyd's Superannuation Fund

Certification of the calculation of Technical Provisions

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's Technical Provisions as at 31 March 2022 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the scheme and set out in the Statement of Funding Principles dated 16 May 2023.

Signature:	*Richard Gibson*	Date:	21 May 2023
Name:	Richard Gibson	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	2 London Wall Place 123 London Wall London EC2Y 5AU	Employer:	Barnett Waddingham LLP

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Section 179 certificate

Scheme details	
Scheme name	Lloyd's Superannuation Fund
Pension Scheme Registration Number	10079832
Address of Scheme	
Effective date of this valuation	31 March 2022
Guidance and assumptions	
s179 guidance used for this valuation	G9
s179 assumptions used for this valuation	A10
Assets	
Total assets	£448,308,000
Date of relevant accounts	31 March 2022
Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts	0%
Liabilities	
Liabilities, excluding expenses, for:	
Active members	£0
Deferred members	£145,797,000
Pensioner members	£204,888,000
Estimated expenses of winding up	£2,028,000
Estimated expenses of benefit installation/payment	£1,600,000
External liabilities	£0
Total protected liabilities	£354,313,000
Insured benefits	
Percentage of the liabilities shown above that are matched by insured annuity contracts for:	
Active members	0%
Deferred members	2%
Pensioner members	1%

Proportion of liabilities which relate to each member type:	Pre 6 April 1997	6 April 1997 to 5 April 2009	Post 5 April 2009
Active members	0%	0%	0%
Deferred members	65%	30%	5%
Pensioner members	86%	13%	1%

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Number of members and average ages as at the effective date for:	Number of members	Average age (weighted by protected liabilities)
Active members	0	n/a
Deferred members	893	57
Pensioner members	1357	73

Certification

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.

Signature:	Richard Gibson	Date:	9 June 2023
Name:	Richard Gibson	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	2 London Wall Place London EC2Y 5AU	Employer:	Barnett Waddingham LLP

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