

# PENSION BRIEFING

2023

Bringing you the pension news from the Lloyd's Superannuation Fund



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# WELCOME

## FROM THE CHAIR

**Welcome to *Pension Briefing* – the newsletter for members of the Lloyd's Superannuation Fund ('LSF' or the 'Fund').**

Much of the last year was dominated by volatile market conditions and global events, including the war in Ukraine, a high inflationary environment and rising gilt yields. The Fund has been resilient to the volatile market conditions, largely due to it holding a proportion of its assets in investments which are designed to move in line with its liability to pay future pensions (known as Liability Driven Investment or LDI).

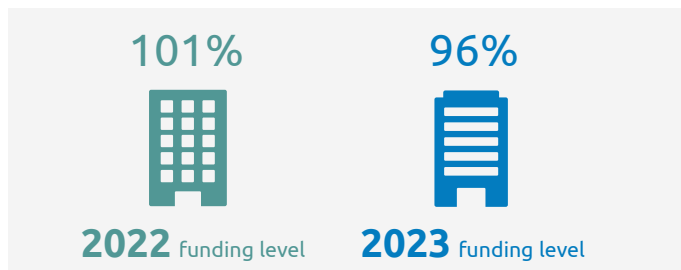
### **MARKET VOLATILITY**

The Fund showed a small surplus in its most recent triennial actuarial valuation as at 31 March 2022. However, markets have moved since then, with the rise in gilt yields resulting from the government's 'mini-budget' in September 2022 having repercussions across the pension industry. Since the valuation date, the Fund has experienced some deterioration in the funding level, which is being mitigated by the investment strategy in place.

As I noted in my statement last year, while the Fund's investments remain resilient to the recent market volatility and high inflation, it is worth remembering that members' benefits are not linked to movements in the financial markets but are defined by the Trust Deed and Rules. Recent market events and the actions referred to above do not impact the pensions due to members and their beneficiaries.

## VALUATION

The Trustee and MS Amlin Corporate Services Limited ('MS Amlin' or the 'Sponsor') concluded the triennial valuation as at 31 March 2022 on 16 May 2023 (the '2022 valuation'). The results of the 2022 valuation on an ongoing basis showed a funding level of 101% and a surplus at the valuation date. The Fund's investment strategy has protected the Fund from turbulent market events to an extent, but more recently, the funding position has been impacted, with a slightly lower funding level of 96% as at 31 March 2023, as set out on page 8.



Whilst a surplus was calculated in the 2022 valuation, meaning no deficit reduction contributions are required, the Sponsor remains committed to the long-term security of the Fund. As such, the Sponsor has agreed with the Trustee that it will make payments to an escrow account, in line with the deficit reduction contributions agreed following the triennial valuation as at 31 March 2019 (the '2019 valuation'), which may be accessed should there be a material and sustained reduction in the funding of the LSF at a future date. The Sponsor also agreed to directly pay the costs of running the Fund, rather than these being deducted from the Fund.

The Trustee continues to work closely with its advisers to monitor the funding position, and following the conclusion of the 2022 valuation, the Fund's investment strategy is currently under review.

## LOOKING AHEAD

The last few years have been very busy for the Fund, and no doubt busy for all our members. In addition, I am pleased to report that the governance, stewardship and administration of the Fund continues without interruption, to ensure that all pensioners received their pension as normal, and that member correspondence and requests were dealt with promptly. I would like to take this opportunity to thank all our advisers, including Barnett Waddingham, our administrator, for their hard work, considerable guidance and assistance to the Board over the past year of challenges.

Finally, during the year, Robert Mankiewitz, a Members' Director and Chair of the Audit and Risk Committee, stepped down from the Board. I would like to thank Robert for all his advice and support during his service on the Board. We welcome Stephanie Mocatta, who has replaced Robert on the Board as a Members' Director.

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“ I WOULD LIKE TO PLACE ON RECORD MY THANKS TO ALL MY FELLOW BOARD MEMBERS FOR THEIR SUPPORT OVER THE LAST YEAR. ”

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**Eric Stobart**  
Chair of the Trustees

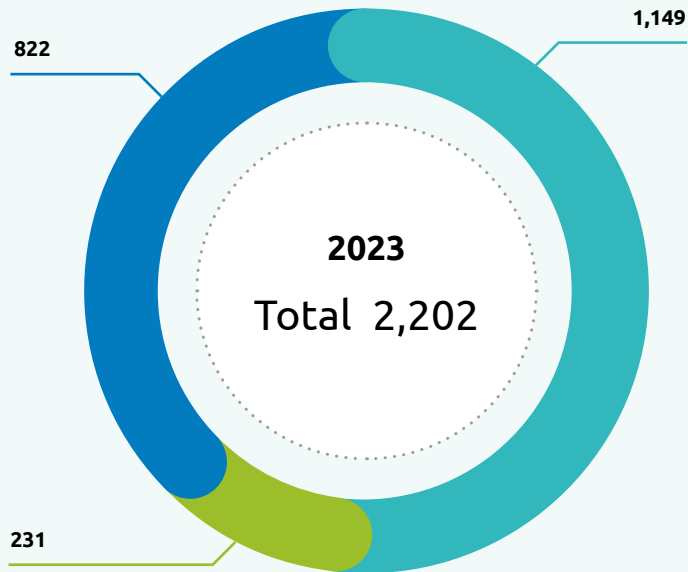
# REPORT & ACCOUNTS

The Fund's year-end is 31 March and the audit of the latest report to 31 March 2023 has been completed. The table shows a summary of this year's audited statements; you can download a copy of the full report from [www.lsf.org.uk/documents](http://www.lsf.org.uk/documents)

	2023	2022
	£'000	£'000
<b>CONTRIBUTIONS &amp; BENEFITS</b>		
Contributions	4,949	4,949
Benefits payable	(24,863)	(28,091)
<b>Net result from dealing with members</b>	<b>(19,914)</b>	<b>(23,142)</b>
<b>RETURNS ON INVESTMENTS</b>		
<b>Net return on investments</b>	<b>(113,165)</b>	<b>2,614</b>
<b>Net decrease in the Fund during the year</b>	<b>(133,079)</b>	<b>(20,528)</b>
<b>NET ASSETS OF THE FUND</b>		
At 1 April 2022	448,469	468,997
<b>At 31 March 2023</b>	<b>315,390</b>	<b>448,469</b>

# MEMBERSHIP

The chart below shows the different types of member in the Fund as at 31 March 2023.



	2023	2022
Pensioners	1,149	1,117
Dependants	231	237
Members with deferred pensions	822	893
<b>Total</b>	<b>2,202</b>	<b>2,247</b>

# INVESTMENTS

The Trustee's investment strategy for the Fund is formally set out in a document called the Statement of Investment Principles ('SIP'). During the period of market volatility that followed the mini-budget in 2022, the Fund sold some assets, which resulted in it being out of alignment with the SIP at 31 March 2023.

The Trustee will complete a full review of the Fund's investment strategy now that the 2022 valuation has been finalised and will update the SIP accordingly.

## INVESTMENT PERFORMANCE

Over the 12-month period to 31 March 2023, the Fund returned -25.7% compared with a benchmark of -25%. Although these figures show a reduction in the Fund's assets, there is also a corresponding reduction in the Fund's liabilities, so the Trustee does not consider this to be a significant cause for concern. The ongoing funding level as at 31 March 2022 was 101% and as at 31 March 2023 was 96%, as you can see on page 8.

The returns of the Fund's investment portfolios over the past five years are shown in the table below.

	Performance	Benchmark
For the 12 months to 31 March 2023	(25.7%)	(25.0%)
For the 12 months to 31 March 2022	0.9%	0.1%
For the 12 months to 31 March 2021	1.8%	(1.5%)
For the 12 months to 31 March 2020	10.1%	12.0%
For the 12 months to 31 March 2019	1.5%	1.3%





# FUNDING UPDATE

**The Trustee is responsible for ensuring that the Fund has sufficient assets to pay its liabilities (benefits to members) as they fall due.**

A full actuarial valuation must be carried out at least every three years as a detailed financial health check on the Fund.

The valuation of the Fund as at 31 March 2022 was concluded on 16 May 2023 and a summary of the results is shown below. You can also view the full funding report on the Fund website, at [www.lsf.org.uk/documents](http://www.lsf.org.uk/documents)

	31 March 2022	31 March 2019
Assets	£448.5m	£486.9m
Amount needed to provide benefits	£445.0m	£520.7m
Surplus / (Shortfall)	£3.4m*	(£33.9m)*
Funding level	101%	93%

\*Implied surplus/shortfall is not exactly equal to difference between assets and liabilities due to rounding

Despite the 2022 valuation calculations resulting in a funding surplus, MS Amlin has agreed to continue making contributions in line with those agreed at the 2019 valuation. The remaining three annual contributions of £3.71m per year are due by March 2024, March 2025 and March 2026 respectively; these contributions will be paid into an escrow account rather than directly into the Fund, as agreed with the Sponsor.

MS Amlin has also agreed to directly meet any invoiced Fund expenses starting from 1 July 2023 that are within scope of an Expense Sharing Framework agreed with the Trustee.

The next full valuation will be carried out as at 31 March 2025, with more approximate funding updates provided annually before then to monitor the Fund's progress.

# SUMMARY FUNDING STATEMENT

As a member of the LSF, you have built up valuable benefits. Knowing how the Fund is doing financially and whether your benefits are secure is important.

To keep you up to date and help you understand more about the funding position, we provide you with a statement like this each year. It is for your information only and you do not need to take any action.

## THE ONGOING FUNDING POSITION

The Fund's financial health depends on several factors such as investment returns, inflation and mortality trends. To monitor the position of the Fund, the Trustee appoints a qualified actuary, Richard Gibson of Barnett Waddingham LLP.

The actuary regularly carries out a review of the Fund's funding position, known as an actuarial valuation. This enables the actuary to assess whether there is sufficient money in the Fund to pay for the benefits that members have already built up and determine the level of contributions to be paid to the Fund in the future. A full valuation is carried out every three years. In between each valuation, the actuary updates their assessment of the funding position annually.

## THE LATEST POSITION

	31 March 2023 (annual update)	31 March 2022 (valuation)
Assets	£315.4m	£448.5m
Amount needed to provide benefits	£328.6m	£445.0m
Surplus / (Deficit)	(£13.2m)	£3.4m*
Funding level	96%	101%

\*Implied surplus is not exactly equal to difference between assets and liabilities due to rounding

The funding level has fallen since the 2022 valuation from a surplus of £3.4m to a deficit of £13.2m, primarily due to losses on growth-seeking assets during the volatile market conditions. As mentioned previously, the Trustee is working closely with its advisers and the Sponsor to agree a suitable investment strategy following the conclusion of the 2022 valuation.

The next full actuarial valuation is due as at 31 March 2025.





## HOW IS MY PENSION PAID FOR?

Contributions were paid to the Fund as benefits were built up and are held in a common fund rather than in separate accounts for each individual. The Trustee invests this common fund that, along with any proceeds, goes towards providing members' benefits.

## HOW IS THE AMOUNT OF MONEY THE FUND NEEDS WORKED OUT?

The Trustee and MS Amlin, in conjunction with the Fund's actuary, agree various assumptions about what will happen in the future, including the return on investments, mortality and inflation. The actuary uses these assumptions to estimate the assets needed to provide the benefits built up by the members.

The use of assumptions means that the amount shown on the previous page could turn out to be different to what is actually required. The Trustee's objective is to have sufficient assets in the Fund to pay pensions now and in the future. However, the ability of the Fund to do this depends in part on MS Amlin's continued support of the Fund, as in the event of a shortfall in funding, MS Amlin will usually need to pay in more money to make up the difference.

Currently MS Amlin is paying additional contributions to support the Fund, which are to be held in an escrow arrangement and can be called upon in certain specified situations.

## WHAT HAPPENS IF THE FUND STARTED TO WIND UP?

If the Fund were to wind up, the funding position of the Fund would be assessed and if there are not sufficient funds to enable members' benefits to be provided by an insurance company, MS Amlin would be required to pay enough money to enable this. If this were to have happened on 31 March 2022, the amount needed, in addition to the Fund's existing assets, to ensure that members' benefits could have been paid in full was estimated to be around £38m. This assumed that the benefits secured were those set out in the Rules of the Fund.

If MS Amlin were to become insolvent, the Pension Protection Fund ('PPF') might be able to take over the Fund and pay compensation to members, but this compensation is likely to be less than the benefit you have built up in the Fund. Based on a further calculation, the actuary estimated that at the time of the 2022 valuation the Fund had sufficient assets to cover 100% of its liabilities in respect of the compensation that would be provided by the PPF. Further information on the PPF is available at [www.ppf.co.uk](http://www.ppf.co.uk)

## WHY DOES THE FUND NOT HAVE ENOUGH MONEY TO WIND UP?

The cost of winding up assumes that benefits will be paid for by buying insurance policies. Insurers are obliged to take a very cautious view of the future (including the costs of administering the benefits) and usually need to make a profit. By contrast, under the current funding position, we assume that MS Amlin will continue to support the Fund.

There have not been any payments to the Sponsor out of the Fund assets in the last 12 months and nor have any directions been made by the Pensions Regulator regarding the finances of the Fund.

## WHERE CAN I GET MORE INFORMATION?

There are various documents you may request to see, including the Statement of Funding Principles, the Statement of Investment Principles, the Schedule of Contributions and the most recent Funding Report.

If you wish to see any of these documents or have questions about the Fund's funding policy, please contact the pensions administration team using the details on the back page.

Alternatively these documents, along with the Fund's Implementation Statement and other useful materials, can be found at: [www.lsf.org.uk/documents](http://www.lsf.org.uk/documents)



# NEWS UPDATE

## CHANGES TO PENSIONS TAX ALLOWANCES

In his March 2023 budget, the chancellor announced a raft of changes to pensions tax allowances. One of the more substantial changes includes abolishing the Lifetime Allowance ('LTA') from 6 April 2024 (subject to the necessary legislation being passed). While the LTA itself remains in place for now, your benefits will remain subject to the same rate of tax as your other pension benefits (i.e. they will be subject to income tax at your marginal rate).

The LTA was a limit on the amount of pension savings you could build up tax free over your lifetime and had been frozen at just over £1 million. If you went over the limit, you had to pay a tax charge at retirement on the excess of up to 55%.

Whilst the LTA tax charge has effectively been removed, the maximum level of tax-free cash (also called the pension commencement lump sum or PCLS) has not been increased: the maximum tax-free cash amount was frozen at £268,275 (i.e. 25% of the standard LTA for the 2022/23 tax year) other than for members with an existing protection.

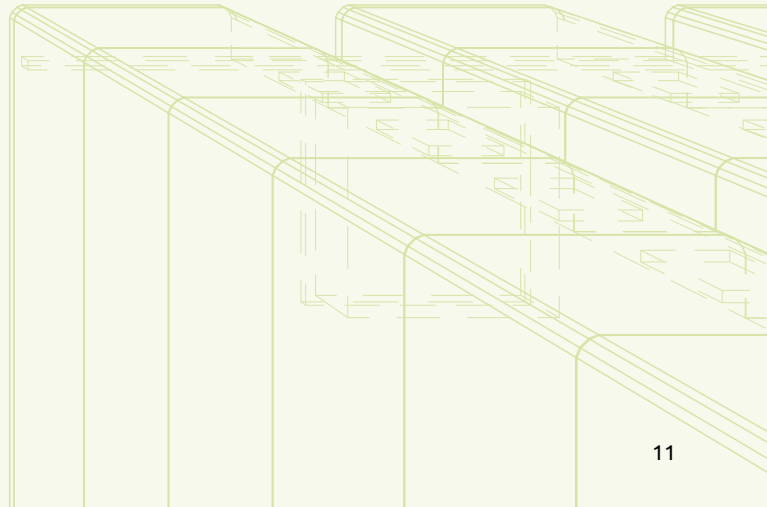
The chancellor also introduced changes to the Annual Allowance ('AA') and the Money Purchase Annual Allowance ('MPAA'), both of which have limited impact on benefits in this Fund as no further accruals can be made and no contributions can be paid.

## STATE PENSION AGE RISING TO 67

The State pension age is set to rise from 66 to 67 by 2028 and to 68 in 2044-46.

## WATCH OUT FOR PENSION SCAMS

We continue to remind members to be aware of the danger of pension scams. Research by the Financial Conduct Authority and the Pensions Regulator has found that half of pension savers do not believe they are at risk of being targeted by a pension scammer. Sadly, pension scams do happen, and no pension pot is too small for a scammer. If you are considering transferring your benefits out of the Fund, please be extra vigilant. While the Trustee can block a transfer if Barnett Waddingham's checks raise any red flags, staying alert to scams remains a joint effort. Don't let a scammer ruin your retirement. You can find more information about pension scams and how to spot them at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



# WHO'S WHO IN THE FUND?

**A trustee company called LSF Pensions Management Ltd acts as the Trustee of the Fund, holding its assets completely separate from those of the Employers. The trustee company's Board comprises an Independent Chairman, two nominated Employers' Directors and two Members' Directors.**

The Board is currently made up as follows:

## INDEPENDENT DIRECTORS

Eric Stobart, Chair of the Trustee

## EMPLOYER NOMINATED DIRECTORS

Neil O'Leary

Yvonne Slater, Deputy Chair (from 1 January 2022)

## MEMBER NOMINATED DIRECTORS

Paul Horncastle

Robert Mankiewitz (resigned 31 March 2023)

Stephanie Mocatta (appointed 1 April 2023)

## HAVE YOU REGISTERED FOR BWEBSTREAM?

If you haven't already registered for BWebstream, our administrator's online portal for members, please consider doing so. It's a great way to help you manage your pension online, whenever and wherever suits you. Register at <https://logon.bwebstream.com>. If you have forgotten or misplaced your login details, give the team at Barnett Waddingham a call (0330 175 7026) and someone will be able to help you get back online.

## CONTACT US

If you have any questions about the information in this newsletter or about your benefits in the Fund, please get in touch with the pensions administration team at Barnett Waddingham.

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