Lloyd's Superannuation Fund

Annual report for the year ended 31 March 2023

Fund Registration Number 100798329

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The Trustee's Report

Introduction

This report relates to the operation of the Lloyd's Superannuation Fund ("the Fund") during the year ended 31 March 2023.

The Fund is a defined benefit ("DB") pension fund established by Trust Deed dated 10 October 1929. The Fund is registered for tax purposes and accordingly the Fund is exempt from income and capital gains tax.

With effect from 30 November 2020 the Fund closed to future accrual and all remaining active members became deferred members.

Management of the Fund

LSF Pensions Management Limited ("LSF") acts as sole Trustee, having been appointed with effect from 1 January 2002.

Under the terms of the LSF's Articles of Association, the Board consists of an Independent Chairman, up to three nominated Employers' Directors and up to three Members' Directors. Each Director will serve for a period of up to four years. Directors may be reappointed to serve for more than one term of office.

The names of the directors who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated/appointed by	Date appointed/resigned
Eric Stobart	Independent Chairman	
Paul Horncastle	Members' Director	
Robert Mankiewitz	Members' Director	Resigned 31 March 2023
Stephanie Mocatta	Members' Director	Appointed 1 April 2023
Neil O'Leary	Employers' Director	
Yvonne Slater	Employers' Director	

The Trustee’s Report (continued)

Fund advisers

The Trustee retains a number of professional advisers in connection with the operation of the Fund. The advisers currently appointed are as follows:

Role	Provider
Scheme Actuary	Richard Gibson F.I.A, Barnett Waddingham LLP
Advising Actuaries	Barnett Waddingham LLP
Pension Manager	Muse Advisory Limited
Administrator of the Fund benefits	Barnett Waddingham LLP
Investment Consultants	Lane Clark & Peacock LLP
Independent Auditor	Ernst & Young LLP (until 23 February 2023) RSM UK Audit LLP (from 9 March 2023)
Investment Managers	Arcmont Asset Management Limited Insight Investment Management Limited Janus Henderson Global Investors Limited LaSalle Investment Management Ruffer LLP (until 31 January 2023) Veritas Asset Management (UK) Limited (until 28 September 2022)
AVC Managers	Scottish Equitable (part of Aegon NV)
Legal Advisers	Sackers & Partners LLP
Covenant Adviser	Ernst & Young LLP
Custodians of the Fund assets	Northern Trust Global Services SE
Bankers	National Westminster Bank Plc Lloyds Bank Plc

Changes in and other matters relating to Fund advisers

During the year, the Trustee changed the Independent Auditor from Ernst & Young LLP to RSM U.K. Audit LLP. Ernst & Young LLP stated on their resignation that they knew of no circumstances connected with their resignation which in their opinion significantly affects the interests of the members or beneficiaries of the Fund.

There have been no other changes to Fund advisers during the Fund year under review.

The Trustee’s Report (continued)

Trustee governance

The full Board met six times during the year ended 31 March 2023. Overall, the Board manages the governance of the Fund, and is supported by three committees which, at the June 2022 Trustee Board meeting, was restructured to that noted below:

- Audit and Risk Committee which oversees the production and audit of the Accounts and the Trustee’s risk management function;
- Operations Committee which oversees the management and operation of the Fund, including the payment of benefits to members; and
- Investment and Funding Committee which oversees the investment of the Fund’s assets, the assessment of the Fund’s liabilities and how they are to be funded and covenant considerations.

Additional working groups are also convened from time to time, to deal with specific issues. These groups are less formal than Committees but are still bound by Terms of Reference approved by the Board. They meet as and when deemed appropriate. In the Fund Year, the Trustee convened the Valuation Working Group to progress valuation related matters.

Subject to any conflicts of interest, Directors may attend any Committee or Working Group meeting whether or not they are members, although only appointed Directors may vote.

Trustee training and performance evaluation

Upon appointment Directors are offered training, dealing with all aspects of pension trusteeship. Newly appointed Directors are also required to complete the on-line training provided by the Pensions Regulator. This has various modules that cover the whole gamut of pension trusteeship, including documentation, funding and investment.

Also, individual Directors attend courses and seminars run by organisations such as the Pensions and Lifetime Savings Association or the Pensions Management Institute, and the Fund’s advisers or investment managers, so as to keep up to date with the ever-changing pension environment.

The Directors undertake regular evaluation of how the Board is performing and the Trustee Director skills, either with external facilitation or by means of a self-assessment. Such evaluations determine what further training is required to enable the Directors to keep up to date with developments in pensions and related issues. The latest Trustee Director skills assessment took place in December 2022 and a review of the Trustee Board’s effectiveness is scheduled to be considered in December 2023.

Risk register

As part of its governance the Directors maintain a register of actual and potential risks. Having identified the risks, the Board considers the potential impact of those risks, the likelihood of them occurring and the controls in place to mitigate them. From this the Board ranks those risks with the potential for the greatest impact and ensures that strategies are adopted, and resources made available to manage them effectively.

Whilst the Board has overall responsibility for identifying and monitoring risks, risks are also assigned to and monitored by the Audit & Risk Committee, Operations Committee and the Investment and Funding Committee. The Board and relevant Committees review the risk register regularly to keep the analysis or risk up to date, to ensure that the internal controls remain adequate and to identify any additional or emerging risks.

The Trustee's Report (continued)

The Participating Employers

The names of the Participating Employers during the year were as follows;

MS Amlin Corporate Member Limited
MS Amlin Corporate Services Limited ("MS Amlin" or the "Sponsor")

Contributions

Although the Sponsor had processed the reimbursement of PPF levy contributions of £8,950 to the Fund in accordance with the Schedule of Contributions, this payment could not be allocated to the Fund correctly due to the payment reference not being in accordance with standard details required by the administrator. As a result, the payment was processed later than required under the Schedule of Contributions.

Financial development of the Fund

During the year the value of the net assets decreased by £133,079,000 to £315,390,000 as at 31 March 2023. The decrease comprised net withdrawals from dealings with members of £19,914,000 together with a net decrease from the return on investments of £113,165,000.

On 23 September 2022, announcements made in the Government's "mini-budget" led to uncertainty in the long-dated UK government bond ("gilt") market. The Bank of England eventually intervened in the market in order to "restore orderly market conditions".

The value of the Fund's investment assets have been impacted as a result of this market activity. Whilst as a result of the rise in longer term Gilt rates, the value of the Fund's holding of Gilts and other liability matching assets fell, so did the value of the Fund's liabilities'.

The Trustee is confident that there has not been a significant impact to the overall funding position of the Fund as a result of these events.

Fund Audit

The financial statements on pages 22 to 38 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of Fund

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Fund's registered status should be prejudiced or withdrawn.

The Trustee's Report (continued)

Fund membership

At 31 March 2023 there were 2,202 members in the Fund, a net decrease over the previous year of 45. The information below details the membership movement during the year under review and the make-up of the Fund's total membership as at 31 March 2023.

	Number as at start of year	Changes in year	Number as at end of year
Deferred members	893		
adjustment		(3)	
transferred out		(7)	
retired		(59)	
died		(2)	
		(71)	822
Pensioners	1,117		
adjustment		1	
new pensioners		59	
died		(28)	
		32	1,149
Dependants	237		
adjustment		2	
new dependant		7	
died		(15)	
		(6)	231
	2,247		2,202

The adjustments are in respect of changes to members status received after the previous year end.

Included with deferred members are 4 members (2022: 5) whose benefits are held with an annuity policy held in the name of the Trustee, whilst included within pensioners are 3 (2022: 3) pensioners whose pensions are paid via the same annuity policy.

With effect from 30 November 2020 the Fund closed to future accrual and all remaining active members became deferred members.

Pension increases and transfer values

The Rules of the Fund require the Trustee to review annually the levels of pensions either prospectively or currently in payment and at the Trustee's discretion to award an increase, subject to seeking the advice of the Scheme Actuary as to the affordability of such an increase. The Trustee has not awarded any such discretionary increase (i.e. above any increases mandated in the terms of the particular sections of the Fund) since 1999. The Trustee invests the Fund's assets instead with a view of maximising the security of members' existing benefits. The Trustee does not intend to deviate from its current policy in the foreseeable future.

Following receipt of a report from the Scheme Actuary, the Trustee has directed that no allowance be made for future discretionary increases in the transfer value calculation. Allowance has still been made for any pension increase guarantee that may be included in the Fund memoranda.

Whilst the Fund's General Rules include statutory increases, each employer was able to participate in the Fund on terms that it wished. These terms were included in individual Fund Rules, referred to as a Fund's Memorandum. Some employers included guaranteed pension increases within their individual Fund memoranda, with guaranteed increases ranging from 3% to 5% per annum.

The Trustee's Report (continued)

GMP equalisation

On 26 October 2018, a High Court decision involving Lloyds Banking Group ruled that occupational pension schemes are required to adjust members' benefits to remove the sex inequality caused by the Guaranteed Minimum Pension ("GMP") earned from 17 May 1990 (the date of an earlier court decision on equal treatment) up to and including 5 April 1997 (when GMPs ceased to build up). Only certain members (i.e. those who built up GMP during the period above) will be affected by this High Court decision.

The Trustee has taken steps to equalise benefits for certain categories of members who are eligible to take full commutation of all of their Fund benefits on the basis of those benefits being very small or due to the member being in serious ill-health as well as for members taking transfers out of the Fund.

The Trustee is currently considering and taking advice as to how to proceed with this complicated area for other members, noting that working out how to adjust affected members' benefits will be a complex process which will likely take some time to complete and implement.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds Banking Group pension schemes. This follows from the original judgment on 26 October 2018 above which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee will be considering this at a future date and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements. They will be accounted for in the year they are determined. At the date of signing these accounts, the value of any such adjustments is not expected to be material to the financial statements.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by the Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and scheme-specific (conditional) data. The guidance sets out good practice in helping trustees to assess risks associated with record keeping, including taking steps to ensure security against cyber-attacks. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. The Trustee takes all necessary steps to comply with TPR's regulations in terms of record keeping and in other aspects of Fund governance.

More information can be found at:

https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping

The Trustee's Report (continued)

Contact for further information

Members are encouraged to register and use the online facility called BWebstream. If, as a Fund member, you wish to obtain further information about the Fund, including copies of the Fund documentation, your own pension position, or who to contact in the event of a problem or complaint, please use the online facility or write to or telephone:

Lloyd's Superannuation Fund, c/o Barnett Waddingham LLP, 2 London Wall Place, London, EC2Y 5AU. Telephone: 0333 111 1222

Alternatively, enquiries may be made to: lsfadmin@barnett-wadingham.co.uk

Website: www.lsf.org.uk

A copy of the accounts can be downloaded from:

https://lsf.org.uk/assets/downloads/2023/lsf-report-and-accounts-2023.pdf

The Trustee's Report (continued)

Report on Actuarial Liabilities

The Scheme Actuary to the Lloyd's Superannuation Fund carries out a triennial valuation of the Fund known as an actuarial valuation, which measures its financial position. The most recent triennial actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the valuation are provided below, and may not sum due to rounding.

	31 March 2022
Assets	£448.5m
Amount needed to provide benefits	£445.0m
Surplus	£3.4m
Funding level	101%

As part of the valuation agreement, MS Amlin agreed to continue the contributions schedule from the previous 31 March 2019 valuation, albeit directing these contributions into a new escrow arrangement rather than directly into the Fund. Under the Schedule of Contributions agreed at the 31 March 2022 valuation, MS Amlin will therefore pay contributions of £3.71m each year for the three years from 31 March 2024 to 31 March 2026 into this new escrow arrangement. The new escrow arrangement may be drawn on by the Trustee or MS Amlin, in specified circumstances.

In addition, MS Amlin agreed to maintain the existing escrow account of at least £14m, that the Trustee or MS Amlin may draw on in specified circumstances.

The next triennial valuation of the Fund will be performed no later than 31 March 2025, and an actuarial report as at 31 March 2023 is currently being prepared.

A copy of the latest Certification of the Schedule of Contributions prepared under Part 3 of the Pensions Act 2004 is appended to this report.

The financial statements on pages 22 to 38 do not take into account liabilities which fall due after the year-end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Fund and the level of contributions payable.

The key assumptions adopted for the valuation as at 31 March 2022 are summarised in the table below, and all assumptions are set out in the Statement of Funding Principles dated 16 May 2023, which is available to Fund members on request. The actuarial method used in the calculation of the Technical Provisions as at 31 March 2022 is the Projected Unit Method.

The Trustee's Report (continued)

Key assumptions	
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
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%
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
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

The Trustee’s Report (continued)

Market review

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management of the Fund's asset portfolio is the responsibility of the investment managers and bulk annuity provider, who operate within the guidelines of their specific mandates.

Over the year under review, the investments of the Fund were managed by Veritas Asset Management ("Veritas"), Ruffer LLP ("Ruffer"), Janus Henderson Investors (“Henderson”), Arcmont Asset Management Limited ("Arcmont"), LaSalle Investment Management ("LaSalle") and Insight Investment Management Limited ("Insight"). A full disinvestment from Veritas was made on 28 September 2022 and a full disinvestment from Ruffer was instructed in October 2022, with the first withdrawals occurring on 20 October 2022 and the final holding in the Ruffer Multi Strategies 2015 Fund being redeemed on 31 January 2023.

In addition, the Trustee has a bulk annuity contract with Pension Insurance Corporation ("PIC") to insure benefit payments linked to certain of the Fund’s pensioner members.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (“SIP”) has been produced by the Trustee following consultation with the Sponsor. The main purpose of the SIP is to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk. The SIP was reviewed and updated in December 2021. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Sponsor, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review.

The current SIP (dated December 2021) is available to download from:

https://lsf.org.uk/assets/sownloads/2022/lsf-SIP-december-2021.pdf

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Sponsor. Within the context of these risk and return objectives, the Trustee, taking advice from the Fund’s investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

Within a reasonable timeframe, the Trustee’s investment strategy is to gradually switch assets from the current investment mix to a portfolio that is mainly invested in low-risk bond like assets, in order to prudently deliver an overall expected return of 0.5% pa above gilt returns. The Trustee’s current objective is to monitor progress towards achieving this objective by 31 March 2032.

During the year the Trustee sold the equity holdings with Veritas and the diversified growth holdings with Ruffer, in order to fund the collateral requirements of the Insight LDI portfolio throughout the period of gilt market volatility in September and October 2022.

The purpose of the LDI mandate is to reduce risk, by providing some protection against the Fund’s funding position worsening due to adverse movements in long term interest rates or inflation expectations. Insight holds bond like assets, such as UK government bonds and swaps. Its benchmark is calculated to broadly mirror the movements of the Fund’s liabilities, as measured on a gilts + 0.5% pa basis.

The purpose of the Contractual Income portfolio is to provide a contractual stream of cash flow payments to the Fund until around 2030, to help enable the Fund to meet its cashflow obligations over the period without the need to sell investment assets.

The Trustee gradually funded the allocation to Arcmont’s private credit portfolio, largely by disinvesting from Ruffer’s diversified growth portfolio. The Arcmont portfolio was fully funded during the year to 31 March 2023.

The Trustee's Report (continued)

Investment strategy (continued)

The following table details the asset distribution at the financial year end by fund. Figures may not sum due to rounding.

Manager	Asset class	Allocation as at 31 March 2023 (%)	Allocation as at 31 March 2022 (%)
Veritas	Global Equities	-	11.1
Ruffer	Diversified Growth	-	3.3
LaSalle	Property	0.9	0.6
Janus Henderson	Multi-Asset Credit	9.9	7.2
Arcmont*	Private Credit	13.1	7.0
Insight	Contractual Income	35.9	33.3
Insight**	Liability Driven Investments Asset Backed Securities	40.2	37.5
Total		**100.0**	**100.0**

*Note: Arcmont is valued at 31 March 2023 based on a partial valuation of assets.

**LDI = liability driven investment.

Material changes to the investments during the year ended 31 March 2023 are set out below:

- During the year to 31 March 2023, the Fund made full disinvestments from the Veritas global equity and Ruffer diversified growth holdings.
- Asset-backed securities holdings within the LDI portfolio were also sold to support LDI collateral due to increases in gilt yields, in-line with the Trustee's policies.

Departures from the SIP

During the year the Trustee sold the equity holdings with Veritas and the diversified growth holdings with Ruffer, in order to fund the collateral requirements of the Insight LDI portfolio during the period of gilt market volatility in September and October 2022. As a result, the Fund was outside of the SIP at the year end. The Trustee will complete a full review of the Fund's investment strategy following the finalisation of the 31 March 2022 actuarial valuation, and will update the SIP accordingly to reflect any changes.

The Trustee's Report (continued)

Performance of the Fund's assets

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following table shows the performance of the Fund over the one, three and five year periods to 31 March 2023, and the appointed Investment managers over one year before the deduction of fees except where indicated.

Fund	One year (%)		
	Performance	Benchmark	Out/(under)performance
LaSalle (Property)	2.5	n/a**	n/a
Janus Henderson (Multi-Asset)	(0.3)	2.3	(2.6)
Arcmont (Private Credit)	8.3	8.0	0.3
Insight (Contractual Income)*	2.0	2.3	(0.3)
Insight (LDI, including ABS funds)*	(61.2)	(62.1)	0.9

*Performance is shown net of fees, with the exception of the Insight contractual income and LDI portfolio (including ABS) which is shown gross of fees. The returns for Insight's LDI portfolio are shown on a levered basis versus the gilts benchmark comparator.
**LaSalle property portfolio is in run-off and therefore there is no suitable benchmark available.

Performance	One year (%)		Three years (% p.a.)		Five years (% p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Fund	**(25.7)**	**(25.0)**	**(8.6)**	**(9.6)**	**(2.5)**	**(2.9)**

Source: Investment managers. Fund performance has been estimated by LCP.

Custody of assets

The underlying assets are held by a number of custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers' custodians and the Trustee.

The Trustee has a direct relationship with Northern Trust only. Northern Trust has direct custody of the following segregated accounts during the year: Veritas, Ruffer, LaSalle, Insight Contractual Income and Insight LDI. On an annual basis, the Trustee reviews the procedures and controls operated by the custodian.

The Trustee's Report (continued)

Investment principles

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as owners of companies' capital and believes that good stewardship practices, including monitoring and engaging with companies in which the Fund is invested, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

However, where the Trustee holds assets in pooled funds, the Trustee has limited influence over managers' stewardship practices, but it encourages its managers to improve their practices where appropriate.

Trustee's policies on environmental, social and governance ("ESG") and ethical factors

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Fund and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations), in a way that is consistent with acting in the best financial interests of the beneficiaries. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time reviews how its managers are taking account of these issues in practice.

The Trustee receives regular updates from its investment adviser regarding the managers' approaches to managing climate change and other ESG considerations. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it engages directly with its managers to encourage improving their practices where appropriate.

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee's policies on the implementation of asset manager arrangements

The Trustee encourages its managers to improve their practices where appropriate, however it acknowledges where assets are held in pooled funds it has limited influence.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the portfolio. In practice, where the Fund's assets are held in pooled funds, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

The Trustee’s Report (continued)

Trustee’s policies on the implementation of asset manager arrangements (continued)

It is the Trustee’s responsibility to ensure that the managers’ investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects its investment managers, where appropriate, to make decisions based on assessments of the longer-term financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund’s terms, the duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well the role it plays in helping the Fund meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers.

The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund’s investment mandates.

The Trustee's Report (continued)

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) are responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions' legislation for preparing, maintaining, and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the Sponsor of the Fund and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the Sponsor in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the *Lloyd's Superannuation Fund* website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee’s Report (continued)

Approval of Trustee's Report

This Report was approved by the Trustee on

Date: 03 October 2023

Signed on behalf of the LSF Pensions Management Ltd:

Eric Stobart	Paul Horncastle
Director	Director

Independent Auditor's Report to the Trustee of the Lloyd's Superannuation Fund

Opinion

We have audited the financial statements of the Lloyd's Superannuation Fund for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustees with respect to going concern are described in the relevant sections of this report.

Independent Auditor’s Report to the Trustee of the Lloyd's Superannuation Fund (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Scheme’s trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the trustees’ responsibilities statement set out on page 15, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

Independent Auditor's Report to the Trustee of the Lloyd's Superannuation Fund (continued)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's trustees as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 05 October 2023

Summary of Contributions payable in the year

During the year, the contributions payable to the Fund by the Sponsor under the Schedule of Contributions were as follows:

	£'000
Sponsor deficit recovery contributions	4,940
Sponsor expense contributions	9
Contributions payable under the Schedule of Contributions	4,949
Total contributions payable as per note 4 of the Financial Statements	4,949

Although the Sponsor had processed the reimbursement of PPF levy contributions of £8,950. to the Fund in accordance with the Schedule of Contributions, this payment could not be allocated to the Fund correctly due to the payment reference not being in accordance with standard details required by the administrator. As a result, the payment was processed later than required under the Schedule of Contributions.

Signed on behalf of the LSF Pensions Management Ltd:

Date: 03 October 2023

Eric Stobart
Director

Paul Horncastle
Director

Independent Auditor's Statement about Contributions under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Lloyd's Superannuation Fund

Statement about contributions payable under Schedule of Contributions

We have examined the Summary of Contributions payable to the Lloyd's Superannuation Fund on page 20, in respect of the Fund year ended 31 March 2023.

In our opinion the contributions for the Fund year ended 31 March 2023 as reported in the attached Summary of Contributions on page 20 and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 29 April 2021.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 20 in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the Auditor

As explained more fully on page 15 in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the Sponsor and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the Sponsor in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Fund's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 05 October 2023

The Financial Statements

Fund Account

for the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Contributions and benefits			
Sponsor contributions		4,949	4,949
Total contributions	4	4,949	4,949
Benefits paid or payable	5	(18,405)	(17,599)
Payments to and on account of leavers	6	(4,615)	(7,927)
Other payments	7	-	(5)
Administrative expenses	8	(1,843)	(2,560)
		(24,863)	(28,091)
Net withdrawals from dealings with members		(19,914)	(23,142)
Returns on investments			
Investment income	9	3,013	7,323
Change in market value of investments	10	(115,157)	(2,804)
Investment management expenses	11	(1,085)	(1,891)
Taxation	12	64	(14)
Net return on investments		(113,165)	2,614
Net decrease in the fund during the year		(133,079)	(20,528)
Net assets of the Fund			
At 1 April 2022		448,469	468,997
At 31 March 2023		315,390	448,469

The notes on pages 24 to 38 form part of these financial statements.

The Financial Statements (continued)

Statement of Net Assets

available for benefits as at 31 March 2023

	Note	31 March 2023 £'000	Restated 31 March 2022 £'000
Investment assets:			
Equities	10	-	48,471
Bonds	10	329,343	332,201
Pooled investment vehicles	13	184,198	289,519
Derivatives	15	67,563	94,387
Annuity policies	10	2,806	4,581
AVC investments	16	64	84
Cash	10	1,517	6,858
Other investment balances	14	746	1,662
		586,237	777,763
Investment liabilities:			
Derivatives	15	(95,726)	(112,659)
Other investment balances	14	(181,232)	(224,021)
		(276,958)	(336,680)
Total net investments		309,279	441,083
Current assets	20	6,923	8,900
Current liabilities	21	(812)	(1,514)
Net assets of the Fund at 31 March available for benefits		315,390	448,469

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on page 8 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 38 form part of these financial statements.

These financial statements were approved by the Trustee on:

Date: 03 October 2023

Signed on behalf of the LSF Pensions Management Ltd:

Eric Stobart
Director

Paul Horncastle
Director

Notes to the Financial Statements

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, (and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements have been prepared on the going concern basis which the Trustee believe to be appropriate based on their expectations for a 12-month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Fund to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

2. Identification of the financial statements

The Fund is established as a trust under English law. The address for enquiries to the Fund is included in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Fund which are applied consistently are as follows:

Accounting estimates

- The Trustee makes estimates and assumptions concerning the future. The accountings estimates will by definition, seldom equal the related actual results. For the Fund, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Fund's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

Currency

- The Fund's functional and presentational currency is pounds sterling (GBP). All amounts presented have been rounded to the nearest £1,000 and shown as £'000 unless indicated otherwise.
- Assets and liabilities denominated in foreign currency are translated into sterling using the closing exchange rates at the Fund year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.
- Gains and losses arising on conversion or translation are dealt with as part of the change in market value of the investments to which they relate.

Contributions

- Sponsor other and augmentation contributions are accounted for in accordance with the agreement under which they are payable and in the absence of such an agreement, on a receipts basis.

Payments to members

- Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate (on an accruals basis).
- Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised.
- Individual transfers in or out of the Fund are accounted for when member liability is accepted or discharged which is normally when the transfer amount is received or paid.
- Where the Trustee agree or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Fund, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within "Benefits paid or payable".

Expenses and other payments

- Expenses are accounted for on an accruals basis.
- Administrative expenses, with the exception of Directors' fees, are met by the Fund.

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Investment income

- Dividends from quoted securities are accounted for when the security is declared ex-dividend.
- Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Income from cash and short-term deposits is accounted for on an accruals basis.
- Receipts from annuity policies are accounted for as investment income on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".
- Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.

Investments

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Equities, bonds and certain pooled investment vehicles which are traded on the active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the investment manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.
- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to the fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.
- Swaps are valued at the net present value of future cash flows arising therefrom.
- Forward exchange contracts are valued at the gain or loss that would arise from the closing date of the contract at the reporting date by entering into an equal and opposite contract date.
- A bulk annuity policy is held by the Trustee with Pension Insurance Corporation ("PIC") which exactly matches the amount and timing of some or all of the benefits payable for certain pensioners, and prospective pensioners, of the Fund. The annuity policy has been valued on a best-estimate liability provsion held internally by PIC for the policy under the prevailing regulatory framework.
- Accrued interest is excluded from the market value of bonds but is included in other investment balances. The Fund continues to recognise and value assets delivered out under repurchase agreements to reflect its ongoing interest in those securities. Cash received from repurchase agreements is recognised as an investment asset, and an investment liability is recognised for the value of the repurchase obligation.

Notes to the Financial Statements (continued)

4. Contributions

	2023	2022
	£'000	£'000
Sponsor contributions		
Deficit recovery	4,940	4,940
Other	9	9
	4,949	4,949

Deficit recovery contributions were paid by MS Amlin to the Fund in order to improve the Fund's funding position. In accordance with the recovery plan dated 29 April 2021, from (and including) 31 March 2021, the deficit contributions are £4,940,000 for three years to 31 March 2023.

As per the Schedule of Contributions dated 16 May 2023, the deficit contributions of £3,710,000 from 31 March 2024 until 31 March 2026 per the previous recovery plan, will instead be paid into an escrow account held by the Sponsor.

The other contribution is in respect of a refund from the Sponsor in respect of the PPF Levy paid during the year as per the Schedule of Contributions.

5. Benefits paid or payable

	2023	2022
	£'000	£'000
Pensions	16,051	15,656
Commutation of pensions and lump sum retirement benefits	2,204	1,628
Lump sum death benefits	53	78
Taxation where lifetime or annual allowance exceeded	97	237
	18,405	17,599

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund's settling their tax liability.

6. Payments to and on account of leavers

	2023	2022
	£'000	£'000
Individual transfers to other schemes	4,615	7,927

7. Other payments

	2023	2022
	£'000	£'000
Life assurance premiums	-	5

Notes to the Financial Statements (continued)

8. Administrative expenses

	2023	2022
	£'000	£'000
Actuarial fees	516	367
Administration and other expenses	764	1,320
Audit fee	49	45
Directors' fees	-	30
Professional indemnity insurance	47	48
Independent covenant review	94	100
Investment consultancy fees	287	289
Legal fees	174	389
TPR/PPF Levy	25	20
VAT recovered	(113)	(48)
	1,843	2,560

The Fund bears all costs of administration, including the professional indemnity insurance, with the exception of the Director's fees which with effect from 1 October 2021 are paid directly by MS Amlin. Further details on Directors' fees is provided in note 23.

VAT is recovered in respect of administrative expenses. Further VAT is recovered in respect of investment management expenses and is disclosed under note 11.

9. Investment income

	2023	2022
	£'000	£'000
Dividends from equities	306	599
Income from bonds	5,645	5,057
Income from pooled investment vehicles	2,602	2,098
Net expense from derivative contracts	(1,841)	(149)
Repo expense interest	(3,949)	(412)
Annuity income	130	130
Interest on cash deposits	120	-
	3,013	7,323

Dividends from equities include irrecoverable tax of £64,868 (2022: £14,451).

Income from pooled investment vehicles includes indirect property expenses of £nil (2022: £16,251).

Income from AVC Investments are reinvested and therefore reflected in the change in market value under note 10.

Notes to the Financial Statements (continued)

10. Reconciliation of investments

	Restated Value at 31 March 2022 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2023 £'000
Equities	48,471	5,264	(50,874)	(2,861)	-
Bonds	332,201	156,536	(86,453)	(72,941)	329,343
Pooled investment vehicles	289,519	341,888	(451,200)	3,991	184,198
Derivatives	(18,272)	57,094	(25,537)	(41,448)	(28,163)
Annuity policies	4,581	-	(728)	(1,047)	2,806
AVC investments	84	3	(23)	-	64
	656,584	560,785	(614,815)	(114,306)	488,248
Cash deposits	6,858			(851)	1,517
Other investment balances	(222,359)				(180,486)
	441,083			(115,157)	309,279

In the prior year, £31,676,000 of investments was incorrectly classified as 'Other investments' instead of Pooled investment vehicles. This has been reclassified in the opening position of the Note 10 Reconciliation of investments. There is no impact on the overall investments balance as at 31 March 2022.

Transaction costs are included either in the cost of purchases and sales proceeds or offset against income received. These include costs charged directly to the Fund such as fees, commission, stamp duty and other fees.

Other investment balances comprise of accrued income, outstanding settlements and repurchase agreements and are detailed in note 14.

Direct transaction costs include fees, commissions and stamp duty, and are applicable to the segregated assets held with Insight, Ruffer and Veritas during the year. The amounts were as follows:

	Fees £'000	Commission £'000	2023 Total £'000	2022 Total £'000
Direct transaction costs				
Equities	2	14	16	18

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These are not separately provided to the Trustee.

11. Investment management expenses

	2023 £'000	2022 £'000
Administration, management and custody	1,137	1,930
VAT recovered	(52)	(39)
	1,085	1,891

12. Taxation

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account represents irrecoverable withholding tax arising on investment income.

Notes to the Financial Statements (continued)

13. Pooled investment vehicles

The Fund's investments in pooled investment vehicles at the year-end comprised:

	2023	Restated 2022
	£'000	£'000
Managed global credit bonds	30,189	31,629
Managed corporate bonds	-	58,277
Other managed funds	-	4,450
Indirect property	1,520	1,997
Private credit	40,872	30,593
Contractual income	109,552	130,897
Liquidity	2,065	31,676
	184,198	289,519

The Fund is the sole investor in the contractual income portfolio held with Insight (the Secured Finance Direct Lending Fund). The assets underlying this pooled investment vehicle are as follows:

	2023	2022
	£'000	£'000
Bonds	88,979	119,425
Derivatives	378	(1,307)
Other investments	-	10,458
Cash deposits	19,416	1,303
Other investment balances	779	1,018
	109,552	130,897

Other investments comprise of a Liquidity Fund held with Insight, while other investment balances comprise of accrued income, pending trades and outstanding settlements.

14 Other investment balances

	2023	2022
	£'000	£'000
Accrued income	746	1,179
Pending trades	-	483
Repurchase agreements	(181,232)	(224,021)
	(180,486)	(222,359)

The Fund held collateral of £1,573,999 (2022: £1,199,565) consisting of cash and pledged collateral of £430,233 (2022: £6,402,929) constituting of bonds in respect to the Repurchase agreements as at 31 March 2023. At the year-end £182,685,797 (2022: £219,377,615) of bonds reported in the Fund assets were held by counterparties under repurchase agreements.

Notes to the Financial Statements (continued)

15. Derivatives

Objectives and Policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Fund as follows:

Over-the-counter ("OTC") Swaps – the Trustee's aim is to match as far as possible the Liability Driven Investment (LDI) portfolio and the Fund's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of long-dated bonds the Trustee holds interest rate and inflation swaps to extend the duration and match more closely with the Funds liability profile.

Forward foreign exchange ("FX") – In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. The Fund's managers hedge most of the Fund's non-Sterling exposure using forward foreign exchange contracts. Veritas did not hedge any non-Sterling exposure, as per the terms of the Investment Manager Agreement. Ruffer used forward foreign exchange contracts to partially or fully hedge non-Sterling exposure, but the proportion hedged is at the manager's discretion depending on where they see value in overseas currency markets and may vary over time.

The Fund continues to use derivative policies as a risk management tool at the time of signing.

At the year end the Fund had the following derivatives:

	2023 Asset £'000	Liability £'000	2022 Asset £'000	Liability £'000
Over-the-counter contracts				
OTC Swaps	67,559	(95,726)	94,377	(112,634)
Forward FX contracts	4	-	10	(25)
	67,563	(95,726)	94,387	(112,659)

A summary of the Fund's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

i. OTC Swaps

Nature	Notional amounts £'000	Expires	Asset value £'000	Liability value £'000
Interest rate swaps	175,755	0-10 years	4,638	(15,826)
	147,356	10-20 years	3,807	(15,255)
	304,961	20+ years	27,550	(21,536)
	628,072		35,995	(52,617)
Inflation rate swaps	383,493	0-10 years	19,030	(26,780)
	104,682	10-20 years	8,604	(6,789)
	120,094	20+ years	3,930	(9,483)
	608,269		31,564	(43,052)
Other swaps	9,220	20+ years	-	(57)
Total 2023	**1,245,561**		**67,559**	**(95,726)**
Total 2022	1,347,102		94,377	(112,634)

The Fund held collateral of £13,661,354 (2022: £13,004,062) consisting of cash and bonds and pledged collateral of £42,294,347 (2022: £31,231,598) constituted of bonds in respect to the Swaps as at 31 March 2023. In prior years, this disclosure incorrectly stated that the Fund held collateral of £17,240,223 consisting of cash and bond and pledged collateral of £22,109,451 constituting of bonds in respect of Swaps as at 31 March 2022. There is no impact on the overall investment balance as at 31 March 2022.

Notes to the Financial Statements (continued)

15. Derivatives (continued)

ii. Forward FX

Contract	Settlement date	Currency bought	Currency sold	Asset value £'000	Liability value £'000
Forward FX	28/04/2023	GBP	EUR	4	-
Total 2023				**4**	**-**
Total 2022				10	(25)

The Fund continues to use forward FX derivative products as a risk management tool as at the time of signing.

16. AVC investments

AVCs are invested with Aegon in its own policy. AVCs are allocated to provide benefits to the individuals who made such contributions and do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid and the value of their AVC funds. The aggregate amounts of AVC investments are as follows:

	2023	2022
	£'000	£'000
Aegon	64	84

Prior to 2000 AVC's paid by members of the defined benefit section were invested in-house, co-mingled along with the Fund's assets. In return members receive interest which is calculated by reference to the FTSE gilts 5-year average yield index.

	2023	2022
	£'000	£'000
Market Value as at 1 April	242	283
Interest credit	-	3
Monies out	(74)	(44)
Market Value as at 31 March	168	242

17. Fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

Bonds

The Fund invests in debt securities, corporate and government bonds and treasury securities. In the absence of a quoted price in an active market, they are valued on a clean basis (i.e. excluding accrued interest) using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. The Fund categorises these investments as Level 2.

Notes to the Financial Statements (continued)

17. Fair value hierarchy (continued)

Over-the-counter derivatives

The Fund uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own risk, foreign exchange spot and forward rates and interest curves. For these financial instruments, significant inputs into models are market observable and are included within Levels 2 and 3.

Pooled investment vehicles

The Fund invests in pooled investment vehicles which are not quoted in an active market and which may be subject to withdrawal restrictions. The Trustee considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value ("NAV") of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund managers. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classified these funds as Level 2 or 3.

Annuity policy

The Fund holds a group annuity policy with Pension Insurance Corporation ("PIC") which matches the pension payments made for a group of pensioners. There is no active market for this investment and as required by the SORP the value is based on the relevant liability. It is calculated by PIC themselves on the Scheme Funding basis. Such investments are included within Level 3.

The Fund's investment assets and liabilities fall within the above hierarchy levels as follows:

As at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	329,343	-	329,343
Pooled investment vehicles	-	32,254	151,944	184,198
Derivatives	-	4	(28,167)	(28,163)
Annuity policies	-	-	2,806	2,806
AVC investments	-	64	-	64
Cash deposits	1,517	-	-	1,517
Other investment balances	-	(180,486)	-	(180,486)
	1,517	181,179	126,583	309,279

As at 31 March 2022 (Restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	48,471	-	-	48,471
Bonds	-	332,201	-	332,201
Pooled investment vehicles	-	126,032	163,487	289,519
Derivatives	-	(15)	(18,257)	(18,272)
Annuity policies	-	-	4,581	4,581
AVC investments	-	84	-	84
Cash deposits	6,858	-	-	6,858
Other investment balances	-	(222,359)	-	(222,359)
	55,329	235,943	149,811	441,083

There have been no movements between levels during the year.

Notes to the Financial Statements (continued)

18. Investment risk disclosures

Investment risks

When deciding how to invest the Fund's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- Interest rate and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.

- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Fund's investment strategy after obtaining written professional advice from its professional investment adviser. The Fund has exposure to the aforementioned risks because of the investments held to implement the investment strategy, which is described in the Trustee's report. The Trustee manages investment risks, including credit risk and market risk, considering the Fund's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Fund's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include the AVC investments, as these are not considered significant in relation to the overall investments of the Fund.

Notes to the Financial Statements (continued)

18. Investment risk disclosures (continued)

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Fund's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

The table below summarises the Fund's investments (excluding annuities, AVC investments, cash deposits and accrued income) that have significant exposure to indirect credit and market risks.

Manager	Credit risk	Currency risk	Interest rate risk	Other price risk	31 March 2023 £m	Restated 31 March 2022 £m
Veritas (Global Equities)	○	●	○	●	-	45.0
Ruffer (Diversified Growth)	●	●	●	●	-	11.9
LaSalle (Property)	●	○	○	●	2.6	2.0
Janus Henderson (Multi Asset Credit)	●	○	●	○	30.2	31.6
Arcmont (Private Credit)	●	○	○	○	40.0	30.6
Insight (Contractual Income)						
Corporate Bonds	●	○	●	○	4.2	5.8
Floating rate notes	●	○	○	○	86.0	113.6
Cash	○	○	○	○	19.7	26.1
Insight LDI	●	○	●	●	122.8	161.8
Total					**305.5**	**428.4**

Key: The risk noted affects the fund significantly (●) or hardly/ not at all (○).

Credit risk

Direct credit risk – Pooled funds

The Fund is subject to credit risk through its investments in pooled investment vehicles and sole investor arrangements. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds and has direct exposure to these risks arising from its segregated holdings with Ruffer, LaSalle, Insight Contractual Income and Insight LDI.

The Fund's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Fund's investments across a number of pooled funds.

The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. The Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

Notes to the Financial Statements (continued)

18. Investment risk disclosures (continued)

Credit risk (continued)

Direct credit risk – Pooled funds

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023	2022
	£m	£m
Investment trusts	2.0	90.2
Alternative investment funds	41.0	30.6
Loan Originating Qualifying Investor Alternative Investment funds -	109.5	130.9
Authorised unit trusts	30.2	31.8
Segregated portfolio	1.5	6.1
	184.2	289.6

Indirect credit risk – Bonds

The Fund is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Fund's investments with Janus Henderson, Insight and Arcmont. The amount invested in each of these mandates is shown in the table at the end of this section.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

The multi-asset credit fund may have significant exposure to bonds rated below investment grade, and engage in stock lending or borrowing. This extra credit risk is managed by ensuring minimum credit ratings of counterparties and receipt of adequate collateral of a sufficiently high quality.

Indirect credit risk – Derivatives and repurchase agreements

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments and repurchase agreements to match the Fund's liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily, so as to aim to limit credit risk to one day's market movements.

Indirect credit risk – Property

Indirect credit risk arises in relation to underlying investments held in the property pooled investment vehicles. The property funds are exposed to the credit risk relating to the underlying tenants. This risk is mitigated by holding a diverse portfolio of investments with exposure to a range of properties and tenants.

Indirect credit risk – Annuities

There is also direct credit risk associated with the Fund's insured bulk annuity with Pension Insurance Corporation ("PIC"), which the Trustee considered before the policy was taken out. This risk is mitigated by the regulatory environment in which the insurer operates and the diversification of the policy's underlying assets.

Market risk: Interest rate and inflation risk

Interest rate risk and inflation risk is a material risk for the Fund given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Fund's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

Notes to the Financial Statements (continued)

18. Investment risk disclosures (continued)

Market risk: Interest rate and inflation risk (continued)

At year end, the only portfolio the Fund invests in with material exposure to changes in interest rates is the Insight LDI portfolio. The Janus Henderson multi-asset fund has some small sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns. The amount invested in each of these mandates is shown in the table at the end of this section.

Market risk: currency risk

As the Fund's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

All of the Fund's pooled funds are accessed via a Sterling share class. Therefore the Fund is not subject to direct currency risk. The Fund's assets that were exposed to indirect currency risk over the year were the Veritas and Ruffer portfolios. The Veritas portfolio invested in some non-Sterling investments that were not currency hedged, and Ruffer are able to take active currency decisions as a potential source of added value. We note the Fund had fully redeemed from these portfolios at the end of the scheme year.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

Market risk: Other price risk

The Fund's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.
The Trustee monitors this risk on a regular basis, looking at the performance of the Fund as a whole as well as each individual portfolio. The Trustee believes that the Fund's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

19. Concentration of investments

The following investments each account for more than 5% of the Fund's net assets at the year-end:

	2023		2022	
	£'000	%	£'000	%
Insight Secured Finance Direct Lending Fund	109,530	35.1	130,839	29.2
UK (Govt) 0.125% SNR 22/02/24	49,695	15.9	48,221	10.8
UK (Govt) 1.25% IDX/LKD 2027	33,069	10.6	47,400	10.6
UK (Govt) 3.5% SNR 22/01/45	26,003	8.3	36,221	8.1
UK (Govt) 4.25% Gilt 07/12/46	23,830	7.6	33,441	7.5
UK (Govt) 4.25% Gilt 07/12/49	23,876	7.6	-	-
UK (Govt) IDX/LKD 22/03/44	-	-	32,473	7.2
Janus Henderson Multi Asset Credit I Acc GBP Gross (Hedged)	30,189	9.7	31,629	7.1
Arcmont Direct Lending Fund III	40,872	13.0	30,593	6.8
Insight GBL FDS II Insight LIQ ABS S GBP	-	-	29,186	6.5
LDI Solutions Plus IIFIG Global	-	-	29,091	6.5
UK (Govt) 1.25% SNR 22/10/41	-	-	24,400	5.4
UK (Govt) 2.5% IDX/LKD 17/07/24	24,332	7.8	24,253	5.4
UK (Govt) 0.25% BDS 31/07/31	30,080	9.6	-	-

Notes to the Financial Statements (continued)

20. Current assets

	2023 £'000	2022 £'000
Sundry Debtors	96	131
Cash balances	6,827	8,769
	6,923	8,900

21. Current liabilities

	2023 £'000	2022 £'000
Investment fees due	(182)	(623)
PAYE	(268)	(271)
Benefits due	-	(160)
Actuarial fees & Investment consultancy fees	(204)	(200)
Other professional advisers' fees	(158)	(260)
	(812)	(1,514)

22. Sponsor related investments

As at 31 March 2023 there were no assets invested in Sponsor-related investments in the Fund (2022: no assets), within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

23. Related party transactions

Payments to directors
One director was a deferred member of the Fund (2022: one) and one director was a pensioner member (2022: one) during the year and receives a pension from the Fund in the same terms as granted for all members of the Fund.

Directors' fees were paid by MS Amlin in the current year to the Independent Chairman and to a Members' Director. For part of the prior year, MS Amlin paid fees to the Independent Chairman, the second Independent Director, and to a Members' Director. Details of the fees paid are set out below

	2023 £'000	2022 £'000
Paid by the Fund	-	30
Paid by MS Amlin	78	48
	78	78

24. Capital commitments

	2023 £'000	2022 £'000
Arcmont Direct Lending Fund III	(16,000)	(14,540)

The Fund has capital commitments in respect of the Arcmont Direct Lending Fund III. Capital Calls may be issued and the Fund will meet these Capital Calls if requested.

Notes to the Financial Statements (continued)

25. GMP equalisation

As explained on page 6 in the Trustee's Report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustee is aware that the issue will affect the Fund and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020, the High Court handed down a further judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee will consider next steps as the Fund has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements

They will be accounted for in the year they are determined, although the Trustee has already been able to take steps to equalise benefits for certain categories of members who are eligible to take full commutation of all their benefits on the basis of those benefits being very small or due to the member being in serious ill-health and these have been included above.

26. Subsequent events

On 16 May 2023, the Trustee and the Sponsor agreed a Schedule of Contributions, following completion of the triennial valuation of the Fund as at 31 March 2022. The Schedule of Contributions confirms that the Sponsor will settle directly the Fund's administration expenses and certain investment management expenses, for services rendered from 1 July 2023 onwards. The Schedule of Contributions also confirms that the Sponsor will make three annual payments of £3,710,000 from 31 March 2024 until 31 March 2026 to an escrow account held by the Sponsor.

Certificate of Adequacy of Contributions

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:		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**

Implementation Statement

The Trustee of the Lloyd's Superannuation Fund (the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Fund Year.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Fund Year. The last time these policies were formally reviewed was December 2021 to reflect the changes to the investment strategy, notably the increase in the target level of liability hedging to 100% on the self-sufficiency (gilts +0.5% pa) basis.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the Fund Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took steps to review the Fund's existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, Lane Clark & Peacock ("LCP"), incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. Shortly after the Fund Year end, the Trustee discussed and agreed stewardship priorities for the Fund which were Climate change and Corporate Transparency. The Trustee communicated these priorities to its managers following the Fund Year end.

Over the Fund Year, the Trustee made no new manager or fund appointments, however it continues to receive regular updates on ESG and stewardship related issues from its investment advisers.

At the Investment and Funding Working Group ("IFWG") meeting on 17 May 2022, the Trustee met with Janus Henderson to discuss several areas, including the manager's approach to ESG issues. As part of that discussion, Janus Henderson discussed its engagement with portfolio companies, and outlined its commitment to delivering "Scope 3" carbon emissions data by the end of the year.

In addition, at the 17 May 2022 IFWG meeting, the Trustee reviewed LCP's Responsible Investment (RI) scores for the Fund's existing managers, along with LCP's qualitative RI assessments for each portfolio and red flags for any managers of concern. These scores cover each manager's approach to the management of ESG factors, including voting and engagement. The portfolio scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags discussed were based on LCP's RI Survey 2022.

The Trustee was satisfied with the results of the review, with the Fund's investment managers and underlying portfolios generally scoring positively. At a portfolio level::

- Ruffer, Veritas and Insight scored highly on its RI credentials within their respective portfolios;
- Janus Henderson and Arcmont were slightly below average, and the Trustee agreed to engage further with these managers on their RI practices; and

- La Salle scored below average, however given this portfolio is currently in the process of being sold and its allocation in the Fund is very small, the Trustee agreed no further action was necessary.

It was noted that there were two 'red flags' raised within the review with respect to the Arcmont private credit mandate and La Salle property portfolio, for the following reasons:

- Arcmont had not signed up to the UK Stewardship Code 2020 and did not actively collaborate with other investors on ESG issues, and;
- La Salle stated that its professionals did not receive more than 2 hours training on ESG-related topics over the year to 30 June 2021.

Since then, Arcmont has become a signatory to the UK Stewardship Code 2020. However, for the reasons outlined above, the Trustee has not sought any further action regarding the La Salle portfolio.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements over time..

3. Description of voting behaviour during the Fund Year

All of the Trustee's holdings in listed equities over the period were held within segregated portfolios and the Trustee delegated to its investment managers the exercise of voting rights. Therefore, the Trustee did not direct how votes were exercised and the Trustee itself had not used proxy voting services over the Fund Year. During the Fund year, full disinvestments were made from both of the Fund's portfolios that held listed equities.

Where possible, the Trustee monitors managers' voting and engagement behaviour and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Fund's portfolios that hold equities as follows:

- Ruffer diversified growth (segregated mandate)
- Veritas global equities (segregated mandate)

In addition to the above, the Trustee contacted the Fund's other asset managers that don't hold listed equities to ask if any of the assets held by the Fund had voting opportunities over the period. Where relevant, commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

Ruffer and Veritas have provided the commentary below on their voting processes.

Ruffer

"Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services ("ISS"), to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, in general, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares. Research analysts are responsible, supported by our responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

We look to discuss with companies any relevant or material issue that could impact our investment. We will ask for additional information or an explanation, if necessary, to inform our voting discussions. If we decide to vote against the recommendations of management, we will endeavour to communicate this decision to the company before the vote along with our explanation for doing so.

Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams. company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (IIGCC). Through our commitment to Climate Action 100+ we have collaborated extensively with other investors or asset owners engaging with a number of European and American companies, including making statements at AGMs and co-filing shareholder resolutions."

Veritas

"The investment analyst will receive all proxies and determine if he or she believes that we should vote in favour or against management. The investment analyst will consider the vote recommendations and any research when making their decision. Following a discussion with the Portfolio Manager, the analyst will instruct the custodian or prime broker via the Operations Team on how to instruct the vote. VAM LLP use Institutional Shareholder Services ("ISS") to execute voting on behalf of clients. The role of the Operations Team is to ensure that all votes are instructed in a timely manner. The Role of the Chief Operating Officer ("COO") is to monitor the effectiveness of these policies.

We have mandated ISS to construct a customised screen for ESG issues which incorporates the Association of Member Nominated Trustees ("AMNT") Red Lines, on a best endeavours basis. The AMNT Red Line Voting Policy contains 29 guidelines covering topics associated with ESG. Should any of the 29 red lines be breached, the instruction is to either comply or explain. As the Red Line Voting Policy was developed principally for pooled fund investors (who have been unable to direct votes) and for UK stocks only, we have instructed ISS to apply the guidelines globally where applicable and apply the policy across all Global Strategy Funds. In addition, ISS provide vote recommendations based on their benchmark policy. This ensures that guidance is provided for ballots related to topics that are not captured by the ESG voting policy.

In the case where VAM LLP decides to vote against management or the ESG policy vote recommendation, an explanation will be provided to clients."

3.2 Summary of voting behaviour over the Fund Year

A summary of voting behaviour over the period is provided in the table below. Please note that both Veritas and Ruffer were fully redeemed before Fund Year end, so the summary of voting behaviour represents data as at the date of full disinvestment for each Fund respectively.

	Ruffer DGF	Veritas global equity
Date of full disinvestment	**13 October 2022[1]**	**28 September 2022**
Value of Fund assets at end of reporting period (£ / % of total assets)	£10.5m / 3%	£45.7m / 12%
Number of meetings eligible to vote	41	3
Number of resolutions eligible to vote	675	43
% of resolutions voted	100%	100%
Of the resolutions on which voted, % voted with management	95%	98%
Of the resolutions on which voted, % voted against management	4%	2%
Of the resolutions on which voted, % abstained from voting	1%	0%
Of the meetings in which the manager voted, % with at least one vote against management	44%	33%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	5%	6%

1 Date that the full disinvestment from Ruffer was instructed, nothing that the final proceeds were fully liquidated in January 2023

3.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the Fund Year, from the Fund's asset managers who held listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria[2] for creating this shortlist. Going forward, by informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's agreed stewardship priorities of climate change and corporate transparency.

The Trustee has reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

2Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.c.o.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Ruffer

Ruffer defines 'significant votes' as those that it thinks will be of particular interest to clients. In most cases, these are when Ruffer forms part of continuing engagement with the company and/or it has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and internal voting guidelines**.**

1) Equinor ASA, May 2022

- **Summary of resolution:** Approve the company's Energy Transition Plan (Advisory Vote)
- **Relevant stewardship priority:** Climate Change, Corporate Transparency
- **Approx size of the holding at the date of the vote** 0.98%
- **Why this vote is considered to be most significant:** Ruffer believes the management resolution aims to increase the transparency of the company's climate transition planning and outcomes. It also links to the Trustee's stewardship priorities of climate change and corporate transparency.
- **Vote:** For
- **Rationale:** "We voted for Equinor's transition plan because we are supportive of their efforts to decarbonise. Equinor is at the forefront of offshore wind developments and we have been impressed by their business success in that area. We have engaged with the company and discussed their plan and disagree with ISS's assessment. Equinor are one of few companies who have been profitable in aiming to decarbonise and we will support that."
- **Outcome of the vote and next steps**: For - the resolution passed with 96.6% of votes in favour. Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives.

2) Marks & Spencer Groups Plc, July 2022

- **Summary of resolution:** Governance - Approve Remuneration Report
- **Relevant stewardship priority:** Corporate Transparency
- **Approx size of the holding at the date of the vote** 0.25%
- **Why this vote is considered to be most significant:** This vote relates to executive remuneration, a common category under corporate transparency. In addition, Ruffer believes this vote supports the provision of long-term incentives for senior management.
- **Vote:** For
- **Rationale:** "We engaged with the company on this matter. Steve Rowe's (ex-CEO) notice period started on 5th July and not on 10th March when his departure was formally announced to the market. However this was done to facilitate an orderly handover of responsibilities to the new CEO(s). Steve was working during this period. We do not have an issue with this and thus approved the Remuneration Report, against our proxy advisor's advice. The fact that Steve was paid a bonus for the year despite the fact that he was on a notice period is also not an issue as he was deserving the bonus according to the criteria laid out for the year 2021-22 and even though his departure was formally announced 20 days before the year end- he continued to work until several months after the year end. Finally the decline in the share price of M&S recently is due to the market concerns of the impact of rise in inflation and not to the performance of M&S which has been very strong even in the current environment. So we would deem it unfair to compare the salary of the new co-CEOs to the impact on the share price due to macroeconomic fears in the market."
- **Outcome of the vote and next steps**: For - the resolution passed with 70.9% of votes in favour. Ruffer will continue to engage with the company on governance issues and vote on remuneration proposals where it deems it to have material impact to the company.

Veritas

Veritas defines ‘significant votes’ as those that result in a vote against management.

1) Charter Communications, Inc, April 2022

- **Summary of resolution:** Disclose Climate Actions Plan and GHG Emissions Reduction Targets
- **Relevant stewardship priority:** Climate change, Corporate Transparency
- **Approx size of the holding at the date of the vote** 5.1%
- **Why this vote is considered to be most significant:** Veritas consider this to be significant as it is a vote against management, and for the Trustee, it relates to its stewardship priorities of climate change and corporate transparency.
- **Vote:** For
- **Rationale**: “A vote for this proposal is warranted, as additional information on the company’s GHG emissions reduction goals aligned with Paris Agreement goals, would allow shareholders to better assess how the company is mitigating climate change related risks.”
- **Outcome of the vote and next steps**: Against – this vote was not passed.

2) Unilever Plc, May 2022

- **Summary of resolution:** Approve remuneration report.
- **Relevant stewardship priority:** Corporate Transparency
- **Approx size of the holding at the date of the vote** 4.2%
- **Why this vote is considered to be most significant:** Veritas consider this to be significant as it is a vote against management, and for the Trustee, it relates to its stewardship priorities of corporate transparency.
- **Vote:** Against (was not communicated to the company ahead of the vote)
- **Rationale**: “Veritas voted against as we believed performance issues vs peers and in relation to the failed GSK bid did not merit the level of proposed compensation”
- **Outcome of the vote and next steps**: The vote passed.

Please note Veritas has not provided next steps on its significant votes.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Fund’s asset managers who don’t hold listed equities, but invest in assets that had voting opportunities during the period:

Arcmont

“Given Arcmont is a Private Debt asset manager, there is limited scope to participate in voting activities where we have a blocking / majority vote. Due to this, Arcmont does not have a formal voting policy or track voting activities.

Note that Arcmont may be able to vote in limited instances where (i) investments take on an equity element and we are assigned voting board seats, or (ii) in the rare circumstances that Arcmont becomes a majority shareholder of the business. However, at the levels of co-investment that we participate in, and in the current market conditions, we are typically only granted votes on economic protections and structural changes to the equity, e.g. if a new class of shares is to be issued and we are diluted.

Arcmont is committed to maintaining an open and active dialogue with management, helping to identify any changes in an investment’s ESG risk profile, but more importantly, enabling discussions to influence business practices to mitigate ESG risks. Arcmont tracks and monitors the ESG risk profiles of our investments to assess the severity of the risks, whilst moving to take appropriate action should a risk become too great.”