

PENSION BRIEFING

2024



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

WELCOME

FROM THE CHAIR

I'm pleased to welcome you to this year's update from the Trustee of the Lloyd's Superannuation Fund (LSF) – your annual round-up of the latest news and developments from the Fund and the world of pensions.

Our long-standing Chair, Eric Stobart, retired from the Board with effect from 14 December 2023. During his many years as an independent Trustee and Chair, Eric guided the Fund through several periods of market volatility, not least those final months in 2022 when many defined benefit funds like ours faced unexpected pressures as a result of rapidly rising gilt yields. I would like to thank Eric for his service to the Fund and wish him all the best for the future.

I have been appointed as the new Chair, and the Trustee will appoint a new independent Trustee in due course.

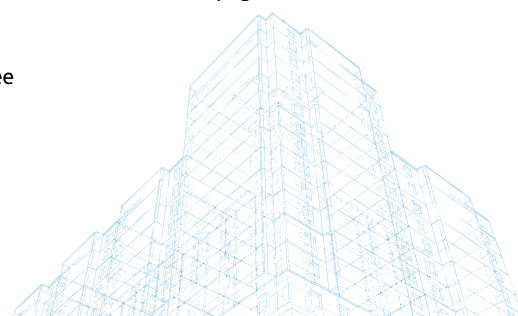
The Fund also has a new Pensions Manager (IGG, replacing Muse Advisory) and a new Fund Actuary, Ali Tayyebi. The Trustee would like to thank Richard Gibson, Ali's colleague, who served as Fund Actuary on the 2019 and 2022 triennial valuations. The results of the latest funding update, which looked at the position as at 31 March 2024, are provided in the Summary Funding Statement on page 8.

As you can see from the Summary Funding Statement, the Fund showed a small surplus as at 31 March 2022, with this positive position driving a review of the longer-term strategy of the Fund, which you can read more about on page 6.

I'd like to close by reminding our members to remain vigilant against pension scams. Could you spot a pension scam? With the use of AI now making scams even more sophisticated and harder to spot, we've included some dos and don'ts on page 11 to help you stay alert to pension scammers and to keep your pension safe.

I hope you find this newsletter useful. If you have any feedback or ideas for future topics you would like to see us cover, please get in touch using the information on the back page.

Yvonne Slater
Chair of the Trustee





DISCOVER A NEW PENSION SELF-SERVICE

Barnett Waddingham recently released an update to their secure member online portal – rebranded as ‘Clarity by BW’. The new pension self-service has provided enhanced functionality that will enable you to confidently manage key aspects of your LSF pension in a safe and secure digital environment.

If you have already registered with BWebstream, your login details will remain the same. You can continue to use the BWebstream link to reach your account and it will redirect you to the new login screen for Clarity by BW.

If you have forgotten or misplaced your login details, give the team at Barnett Waddingham a call (0330 175 7026) and someone will be able to help you get back online.

REPORT & ACCOUNTS

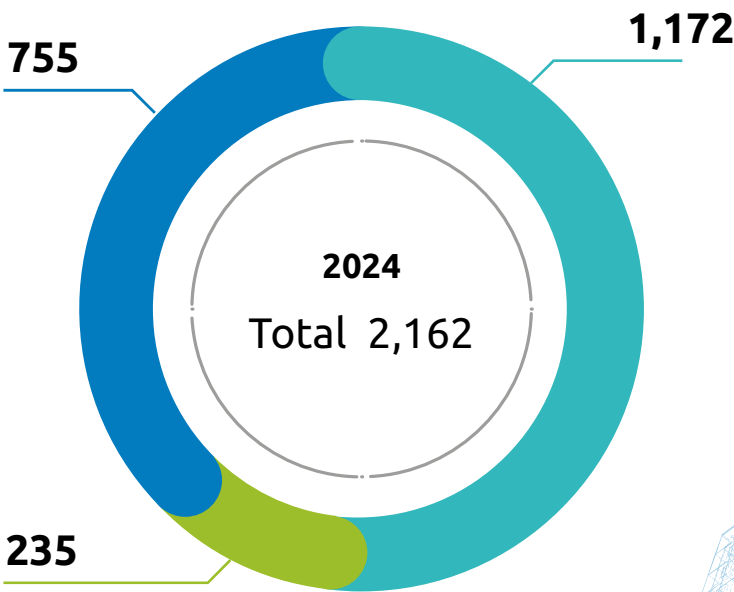
The table shows a summary of the payments into and out of the Fund during the financial year ending 31 March 2024.

You can see the Fund's full annual report and audited financial statements on the website, www.lsf.org.uk/documents

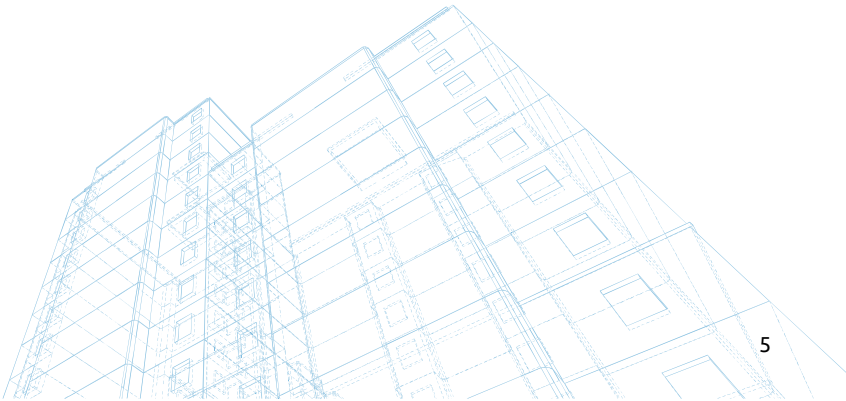
	2024 £'000	2023 £'000
NET ASSETS OF THE FUND AT 1 APRIL 2023	315,390	448,469
CONTRIBUTIONS & BENEFITS		
Contributions	-	4,949
Benefits payable and expenses	(19,009)	(24,863)
Net withdrawals from dealing with members	(19,009)	(19,914)
RETURNS ON INVESTMENTS		
Net return on investments	(155)	(113,165)
Net decrease in the Fund during the year	(19,164)	(133,079)
NET ASSETS OF THE FUND AT 31 MARCH 2024	296,226	315,390

MEMBERSHIP

The chart below shows the different types of member in the Fund as at 31 March 2024.



	2024	2023
Pensioners	1,172	1,149
Dependants receiving a pension	235	231
Members with deferred pensions	755	822
Total	2,162	2,202



FUND NOTICEBOARD

OUR FUTURE STRATEGY: SECURING MEMBERS' BENEFITS

At the 2022 valuation, the Fund reached the landmark of full funding on its conservative 'technical provisions' funding basis. Having reached this milestone, the Trustee's focus is transitioning towards the long-term strategy of the Fund.

This may involve purchasing one or more insurance policies to cover a proportion of the Fund's liabilities. This would bring even greater security to the Fund and is the long-term goal for many defined benefit pension schemes like ours.

The Trustee is considering how to manage the Fund's investment and funding strategy in order to maximise the chances of achieving this objective. Such a move would be a significant step forwards, and the Trustee will update you on progress in future newsletters.

In the meantime, please remember to update the Fund administrator if your personal circumstances change as we will need accurate member records before we can approach an insurer.

OVER 70 AND NO PENSION?

We have a small number of members aged 70+ who have not yet started to draw their Fund pension. Please be aware that the cut-off date for taking a pension from the Fund is your 75th birthday. After this, you will lose the option to take a tax-free cash lump sum from the Fund and some pension benefits may be lost.

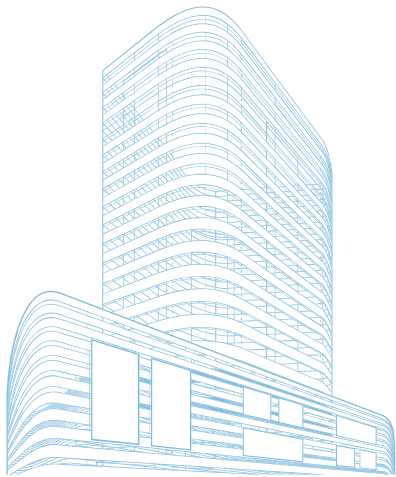
WHEN DID YOU LAST REVIEW YOUR EXPRESSION OF WISH FORM?

An Expression of Wish form takes only a few minutes to fill out but can save your loved ones hours of heartache. This form lets the Trustee know who you would like to receive any lump sums payable from the Fund in the event of your death. Currently, this money is paid out free from inheritance tax (IHT), although the government is proposing to include pension lump sums for IHT purposes from 2027, subject to consultation. Create a new nomination or update an existing nomination by completing an Expression of Wish form on Clarity (the new name for BWebstream), or ask Barnett Waddingham to send you a copy.

INVESTMENTS

The Trustee’s investment strategy for the Fund is formally set out in a document called the Statement of Investment Principles (the SIP).

The Trustee has adopted a new long-term objective to target a buy-out within a reasonable timeframe and we will work closely with our advisers and the Fund sponsor, MS Amlin Corporate Services Limited (MS Amlin), to agree a suitable investment strategy that focuses on achieving this. The SIP will be updated to reflect these changes before the end of 2024.



INVESTMENT PERFORMANCE

Over the 12-month period to 31 March 2024, the Fund returned 1.1% compared with a benchmark of (1.3%).

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

	Performance	Benchmark
For the 12 months to 31 March 2024	1.1%	(1.3%)
For the 12 months to 31 March 2023*	(25.7%)	(25.0%)
For the 12 months to 31 March 2022	0.9%	0.1%
For the 12 months to 31 March 2021	1.8%	(1.5%)
For the 12 months to 31 March 2020	10.1%	12.0%

*The Fund’s performance in 2022/23 was reflective of the dramatic changes in economic conditions seen that year, with inflation rising (significantly and rapidly), a cost of living crisis taking hold, interest rates rising, long gilts yields rising (in comparative terms, quite significantly) and volatility in equity markets. A portion of the Fund’s assets are designed to match movements in the Fund’s liabilities, which fell significantly during this period, and was therefore the main reason for the material negative returns experienced on the assets.

SUMMARY FUNDING STATEMENT

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

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

THE ONGOING FUNDING POSITION

The Fund’s financial health depends on several factors such as investment returns, inflation and mortality trends. To monitor the position of the Fund, the Trustee has appointed a qualified actuary, Ali Tayyebi of Barnett Waddingham LLP.

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

THE LATEST POSITION

	31 March 2024 (annual update)	31 March 2023 (annual update)	31 March 2022 (valuation)
Assets	£293.3m	£315.4m	£448.5m
Amount needed to provide benefits	£308.5m	£328.6m	£445.0m
Surplus / (Deficit)	(£15.2m)	(£13.2m)	£3.4m*
Funding level	95%	96%	101%

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

Since the 2023 annual update, the funding position has decreased slightly to a deficit of £15.2m at 31 March 2024. This is primarily due to changes in market conditions since 31 March 2023 reducing the Fund’s assets and the amount needed to provide benefits. The Fund’s approximate matching position means that the assets fell further than the amount needed to provide benefits.

You can also view the full funding report for the latest actuarial valuation (at 31 March 2022) on the Fund website, at www.lsf.org.uk/documents

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

HOW IS MY PENSION PAID FOR?

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

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

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

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

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

WHAT HAPPENS IF THE FUND STARTED TO WIND UP?

If the Fund were to wind up, MS Amlin would be required to pay enough money to enable members' benefits to be provided by an insurance company. If this were to have happened on 31 March 2022, the amount needed, in addition to the Fund's existing assets, to ensure that members' benefits could have been paid in full was estimated to be around £38m. This assumed that the benefits awarded were those set out in the Rules of the Fund.

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

Further information on the PPF is available on its website at www.ppf.co.uk

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

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

There have not been any payments to the employer out of Fund assets in the last 12 months and no directions have been given by the Pensions Regulator regarding the finances of the Fund.

WHERE CAN I GET MORE INFORMATION?

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

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

Alternatively these documents, along with the Fund's Implementation Statement and other useful materials, can be found at the following website: **www.lsf.org.uk/documents**



BE SCAM SMART

Unfortunately, the use of artificial intelligence (AI) by fraudsters is making scams more convincing and harder to spot. While the methods may vary, the purpose is always to obtain personal information and money.

Examples of AI scams include deepfakes (a video where a person is digitally manipulated to look like someone else), voice cloning (where victims are convinced they're having a genuine phone conversation with a person) and chatbot phishing (with text that replicates the tone and coherence of legitimate messages).

Things to watch out for are the small details on videos, particularly in people's faces. Note any inconsistencies and discrepancies, and pay attention to tone of voice, as AI scams usually lack emotion.

Don't:

- ⊗ be rushed or pressured to make changes to your pension savings in the Fund – take the time to make all the checks you need. If a deal sounds too good to be true, it probably is!
- ⊗ click on any links from unsolicited adviser emails looking to provide you with pensions advice.
- ⊗ provide your log-in details and password for your pension account to anyone – we will not ask for that from you.

Do:

- ✓ reject unexpected pension offers – a free offer out of the blue is probably a scam
- ✓ check who you're dealing with by using the Financial Conduct Authority's financial services register <https://register.fca.org.uk>
- ✓ get impartial advice – MoneyHelper provides free, independent information and guidance www.moneyhelper.org.uk

CONTACT US

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

Website: www.lsf.org.uk

Email: LSFadmin@barnett-waddingham.co.uk

Phone: 0330 175 7026
+44 207 710 9375 (if calling from overseas)

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If you want to provide feedback on the newsletter itself, or if you have any questions about the Trustee or management of the Scheme, the Pensions Manager, Independent Governance Group (IGG), can be contacted by email: LSFTeam@weareigg.com

