

# PENSION BRIEFING

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



# WELCOME

## FROM THE CHAIRMAN

Welcome to another issue of *Pension Briefing*, the newsletter for members of the Lloyd's Superannuation Fund, which brings you the highlights from the Fund's accounts for the year to 31 March 2019.

The period covered by this newsletter proved to be a turbulent time for pension funds, with well-publicised high profile schemes entering the Pension Protection Fund (PPF), following the demise of their sponsoring employers, and volatility in investment markets. Our Fund was not immune to these difficult times. The last quarter of 2018 saw large falls in equity markets, although it must be said that much of this decline was reversed early on in 2019. Gilt yields, which are used to measure the Fund's liabilities, have continued their decline, which has been ongoing since before the Fund's 2016 valuation. The update on pages 6 to 9 tells you more about how the Trustee manages the Fund's investments and the strategic shift that has taken place over the year as we seek to respond to the twin challenges of increasing expected returns whilst ensuring that there is adequate liquidity to meet the increased payments out of the Fund.

This year's *Pension Briefing* does not include a Summary Funding Statement as we are finalising the results of the triennial valuation, which had an effective date of 31 March 2019. As mentioned earlier, Gilt yields have continued to fall, and it is expected that this will have an effect on the result of the valuation. As some of you may have read in the financial press, MS Amlin, the Fund's sponsoring employer, is going through a period of reorganisation. The Trustee is working with its covenant adviser to assess the impact of this reorganisation, as this will have a bearing on the underlying assumptions finally agreed with

the employer. We will update you on the valuation results once it has been completed.

Since the end of the Scheme year, we have welcomed a new Member's Director, Robert Mankiewitz, to the Trustee Board. He replaces Chris Burton, whose second four-year term of office came to an end on 31 March 2019. I would very much like to thank Chris for his participation as a Director over the last eight years and all the dedication and wisdom that he brought to the Trustee Board. Robert has experience of being a Trustee, having previously been a Trustee of the Fund in the 1990s, and I look forward to working with him. I would like to thank Bob Clark and the small administration team that services the Fund's members for their hard work throughout the year.

Finally, may I take this opportunity to remind you to visit the Fund's website, [www.lsf.org.uk](http://www.lsf.org.uk), which provides you with access to your own personal record, enabling you to make changes to your own personal details in a safe and secure environment. We've recently made some changes to improve the service to members, as outlined in the enclosed guide. If you haven't already registered, why not take a look at the website to see what it offers you?

**Eric Stobart**  
**Chairman of the Trustees**

# REPORT & ACCOUNTS

The table shows a summary of the Fund's financial transactions for the year to 31 March 2019, taken from the formal Report and Accounts, which have been audited by Ernst & Young LLP.

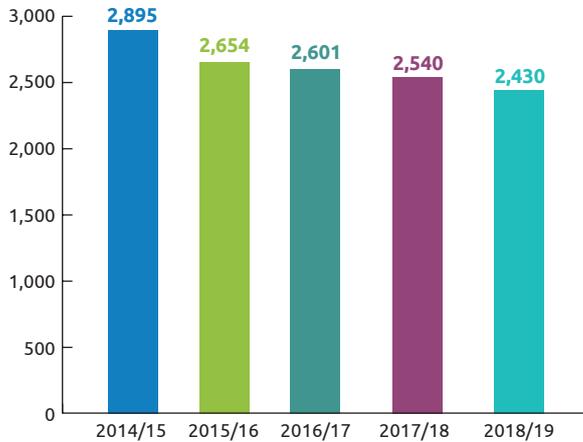
FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019	2019	2018
	£'000	£'000
<b>CONTRIBUTIONS &amp; BENEFITS</b>		
Contributions	1,942	1,928
<b>TOTAL</b>	<b>1,942</b>	<b>1,928</b>
Benefits payable	(17,980)	(16,721)
Leavers	(9,094)	(17,244)
Other payments	(26)	(25)
Administrative expenses	(1,541)	(1,658)
<b>TOTAL</b>	<b>(28,641)</b>	<b>(35,648)</b>
<b>Net result from dealings with members</b>	<b>(26,699)</b>	<b>(33,720)</b>
<b>RETURNS ON INVESTMENTS</b>		
Investment income	8,160	7,213
Taxation	(70)	(102)
Change in market value	21,712	2,918
Investment management expenses	(1,209)	(1,354)
<b>Net return on investments</b>	<b>28,593</b>	<b>8,675</b>
<b>Net increase / (decrease) in the Fund during the year</b>	<b>1,894</b>	<b>(25,045)</b>
<b>NET ASSETS OF THE FUND</b>		
At the beginning of the year (1 April)	484,973	510,018
<b>At the end of the year (31 March)</b>	<b>486,867</b>	<b>484,973</b>

A copy of the full report can be found on the Pensions Portal at [www.lsf.org.uk/your-pension/documents](http://www.lsf.org.uk/your-pension/documents).

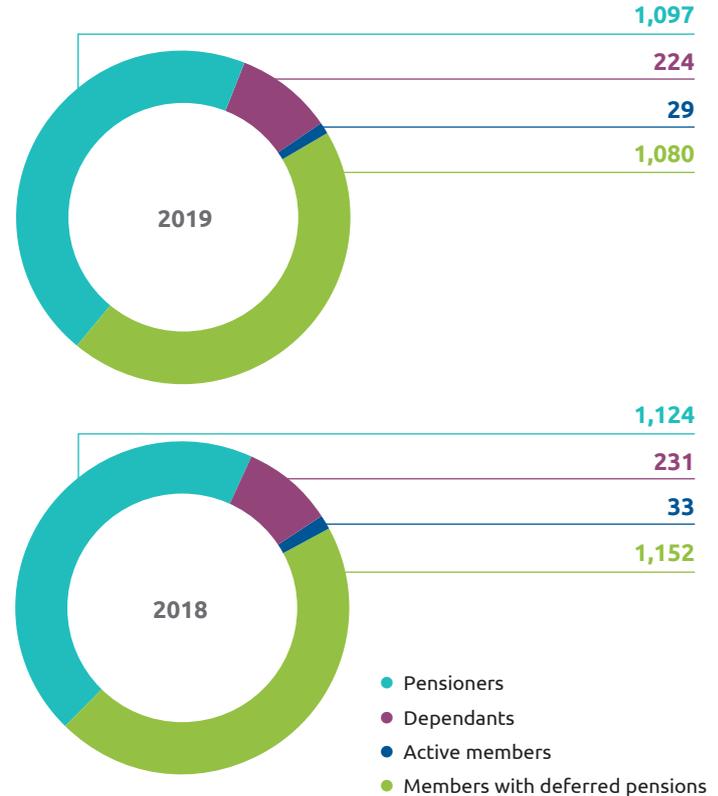
## MEMBERSHIP

During the year to 31 March 2019, the number of members in the Fund decreased by 110 due to deaths and members transferring out. The total Fund membership now stands as 2,430.

### MEMBERSHIP 2015-2019



## CHANGES IN MEMBERSHIP OVER THE YEAR TO 31 MARCH 2019



# INVESTMENTS

## INVESTMENT STRATEGY

With more than half of the Fund's liabilities being in respect of the pensioners, the Trustee continues to focus on liability-matching assets, such as bonds, as their returns closely reflect movements in the pensioner liabilities being paid out each month. This is known as the Protection portfolio.

The remainder of the Fund's assets, referred to as the Growth portfolio, are invested in assets that are likely to provide greater returns than bonds, thus intended to narrow the gap between the present funding level and future requirements.

Over the 12-month period to 31 March 2019, the Trustee, after taking advice from its investment consultant, Lane Clark & Peacock, undertook a restructuring of the Fund's overall investment portfolio. The purpose of the restructuring was to address the twin challenges of increasing expected returns whilst ensuring that there is adequate liquidity to meet benefit payments out of the Fund.

The restructuring of the investment portfolio reduced the number of managers responsible for managing the underlying assets, with the realised assets being invested in two private debt pooled funds, managed by Insight and BlueBay, now known as Arcmont. These private debt funds invest across a number of secured finance strategies, such as corporate loans, mortgage pools and bridging

finance, and are secured against fixed assets. The pooled fund managed by Insight will return contractual income as the underlying assets mature, with the maturity profile being structured to meet expected benefit payments as they arise over the next few years.

Although the investment portfolio has been restructured, the net assets, totalling £486.9m as at March 2019, remain well diversified across a range of asset classes.

The Protection portfolio's investments are managed by Insight and include Gilts, backed by the government, an allocation to two asset-backed securities funds, and the contractual income portfolio.

The Growth portfolio is invested in global equities, a multi-asset credit fund, a diversified growth fund and the private debt fund with Arcmont. The diversified growth fund will be run down over the next two years, with the cash being invested into the Arcmont private debt fund. There continues to be a small property portfolio, although this is being slowly run down following the full redemption notice placed in September 2016. During the year, Aviva, who have been managing this portfolio, sold this part of its business to LaSalle.

Over the year, the assets performed slightly better than the Fund's combined benchmark. Further details can be found on the next page.

## INVESTMENT PERFORMANCE

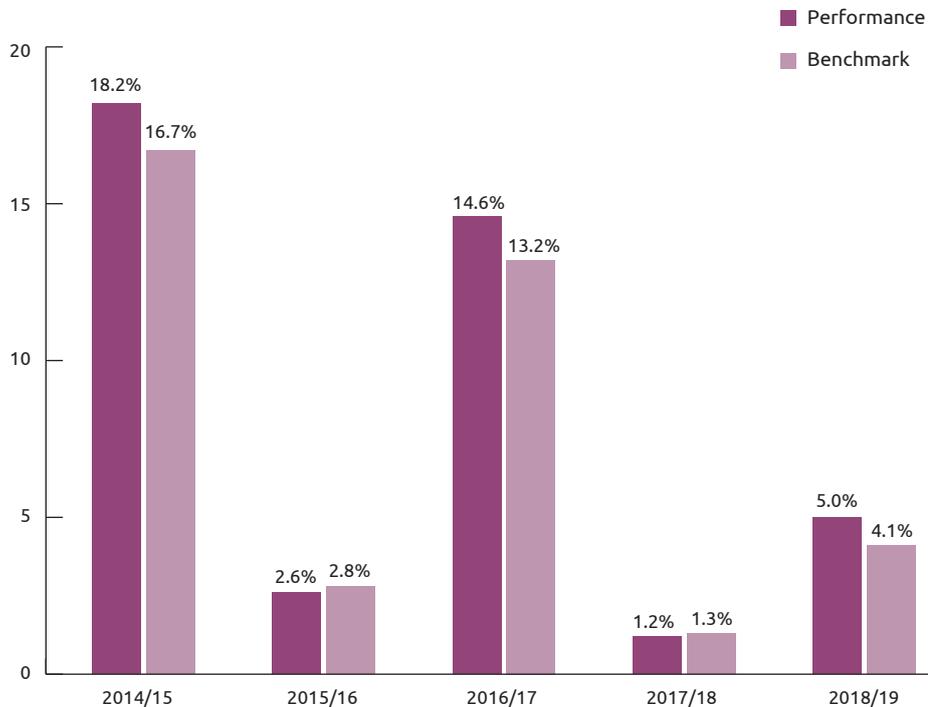
Over the 12-month period to 31 March 2019, the Fund returned 5.0%, outperforming the benchmark of 4.1%. The returns of the Fund's investment portfolios are shown in the table below.

Investment manager	Asset allocation as at 31 March 2019	Performance	Benchmark
Veritas (global equity)	11.2%	17.3%	11.1%
Aberdeen Standard (diversified growth)*	-	(3.7%)	0.7%
Ruffer (diversified growth)	7.4%	(0.4%)	0.9%
Newton (global credit)*	-	0.4%	0.5%
LaSalle (property)	2.3%	4.0%	6.1%
M&G (multi-asset credit)*	-	(0.2%)	0.5%
Janus Henderson (multi-asset credit)	6.7%	2.6%	0.8%
Insight (contractual income)	31.6%	0.3%	0.2%
Insight (LDI)	40.8%	5.7%	6.8%
<b>Total Fund (excluding AVCs and annuities)</b>	<b>100%</b>	<b>5.0%</b>	<b>4.1%</b>

\*Sold during the year as part of the restructuring of the investment portfolio.

# INVESTMENTS CONTINUED

## FUND PERFORMANCE, NET OF FEES, OVER THE PAST FIVE YEARS





## THE IMPACT OF BREXIT ON THE FUND'S INVESTMENTS

The UK left the EU on 31 January 2020 and has now entered the transition phrase.

In terms of the impact on the Fund, being largely governed by UK domestic law, the Fund's benefits and the way it is run are not directly affected by the legal changes which may ultimately result from Brexit.

The Trustee continues to review developments, and how they might impact the Fund, however indirectly. The Trustee's focus remains on the minimisation of the risks resulting from any UK economic uncertainty which may arise from Brexit. The Trustee will continue to monitor the situation and will provide further updates if necessary.

Further information about Brexit can be found via the government's dedicated page at [www.gov.uk/brexit](http://www.gov.uk/brexit).

Potentially, the biggest impact for the Fund would be a disruption to the ability of our investment managers to properly manage our assets. Currently, during the transition period, investment firms rely on the EU passporting regime to carry out activities within the EEA. However, the passporting facility will fall away at the end of the transitional period. As part of its planning, the FCA has set up a 'temporary permissions regime' that will enable EEA-registered firms to continue to operate after the transition period. If the UK and the EU reach an agreement on financial services before the transition ends, then there will be no need for the 'temporary permissions regime'. The Trustee has ensured that all its investment managers will be able to operate regardless of whether or not there is an agreement. Similarly, the sponsoring employer has also taken steps to ensure that it can continue to write business unhindered within the EU.

# WHO'S WHO IN THE FUND?

The Fund is managed by a trustee company called LSF Pensions Management Ltd. As mentioned in the Chairman's welcome, Robert Mankiewicz joined the Trustee Board following the retirement of Chris Burton.

The Fund also has a new Actuary. Danny Wilding, who has served as Fund Actuary since 2012, has resigned, passing on the role to his colleague Richard Gibson. The Trustee would like to thank Danny for his work over his time as Fund Actuary, particularly on the 2013 and 2016 triennial valuations. Since his appointment, Richard has been working with the Trustee Directors on the triennial valuation as at 31 March 2019.

## Independent Directors

Eric Stobart, Chairman of the Trustees  
Michael Hampton

## Employers' Directors

Paul Amer  
Charles Pender, Deputy Chairman

## Members' Directors

Chris Burton (retired 31 March 2019)  
Robert Mankiewicz (appointed 1 April 2019)  
Scot Charley

## Pensions Manager

Robert Clark

## Fund Actuary

Richard Gibson FIA, Barnett Waddingham  
(from 5 December 2018)  
Danny Wilding FIA, Barnett Waddingham  
(to 4 December 2018)

## Investment Consultant

Lane Clark & Peacock LLP

## Solicitor

Sacker & Partners LLP

## Auditor

Ernst & Young LLP

## Custodian

Northern Trust Global Services plc

## Banker

National Westminster Bank plc

# NEWS UPDATE

## UPDATE ON CORONOVIRUS (COVID-19)

At the LSF, we are continuing to monitor the COVID-19 developments very closely. We have a robust business continuity program in place and we are equipped to maintain a service to our members without disruption should it be necessary for staff to work from home. We will provide updates to the situation when required at [www.lsf.org.uk](http://www.lsf.org.uk).

We are pleased to report that the Fund has proved resilient throughout the recent challenging market environment, following the outbreak of COVID-19.

From mid-February to 10 March 2020, the funding level has fallen by around 1% in total, and remains in a strong position at around 86%.

The outbreak of COVID-19 was first identified in Wuhan, China on 31 December 2019, and initially confined largely to China. It has now spread to over 50 countries, placing governments, health authorities and markets across the globe on high alert. Coronavirus fears have been compounded in early March by a pledge from Saudi Arabia to increase the global oil supply, which has led to further market uncertainty.

The COVID-19 outbreak has created a difficult start to 2020 for pension schemes' funding positions. Over the period from mid-February to early March 2020, we've seen sharply falling equity markets and volatile bond markets, pushing up the value of the Fund's liabilities.

The Fund has proved resilient due in part to the Trustee choosing to hold a well-diversified growth asset mix with good downside protection. Also, most of the Fund's assets are invested in liability-matching investments such as bonds, which have performed strongly as a safe haven in challenging times. The Trustee is continuing to monitor the Fund's position closely to ensure the security of our members' benefits.

# NEWS UPDATE CONTINUED

## GMP EQUALISATION

The Guaranteed Minimum Pension (GMP) is the minimum benefit that pension schemes must provide if they were contracted out of the State pension. For most members, the GMP will be part of their total benefit.

In last year's *Pension Briefing*, we told you about the High Court's ruling in respect of the Lloyds Banking Group's pension schemes and equalising GMP for men and women. As expected, this is a complex issue and it will take some time to resolve. The Department for Work and Pensions has issued some guidance to pension scheme trustees, and Her Majesty's Revenue & Customs has recently issued some guidance on how equalisation may impact the Annual Allowance, Lifetime Allowance (LTA) and LTA Protections. The Trustee will be taking advice on how to proceed before deciding how to redress the gender pensions gap caused by GMP.

## HOW MUCH WILL YOU NEED IN RETIREMENT?

The Pensions and Lifetime Savings Association (PLSA) has launched 'Retirement Living Standards', to help people picture their future retirement and understand what they need to save to achieve that.

The PLSA's research shows that only 23% of people understand how much they need to save. As part of their research, they asked consumers for their views on how much they would need to live on in retirement. This suggested that a single person will need £10,000 each year as a minimum income, £20,000 for a moderate standard of living and £30,000 to be comfortable. For couples, the equivalent numbers are £15,000, £30,000 and £45,000 each year.

The PLSA has built a website where you can explore the different categories in more detail to picture what life in retirement could look like: [www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk).

## BEWARE OF PENSION SCAMS

Falling foul of a pension scam could mean you lose some or all of your retirement savings. Fraudsters are getting more sophisticated and have a variety of ways to catch you out. Any pension offer that sounds too good to be true is likely to be a scam, which means you could face significant tax charges and may never see your retirement savings again.

The government has introduced legislation to make it harder for fraudsters, for example by banning cold calling, but you need to be vigilant because fraudsters continue to operate.

If you are considering transferring your benefits to another pension plan, please check the facts and take independent professional advice before you make an irreversible decision.

You can find information about pension scams and how to avoid them here:  
**[www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams) or [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

You can also visit our dedicated page at **[www.lsf.org.uk/your-pension/pension-scams](http://www.lsf.org.uk/your-pension/pension-scams)**

If you think you may be a victim of a pension scam, contact Action Fraud at: **[www.actionfraud.police.uk](http://www.actionfraud.police.uk)**



# NEWS UPDATE CONTINUED

## WHEN DID YOU LAST UPDATE YOUR EXPRESSION OF WISHES FORM?

In the event of your death, a lump sum may be payable from the Fund to your beneficiaries. The Trustee Directors will need to make a decision about who to pay this benefit to and, whilst not binding, they will take into account any Expression of Wishes Form you have completed.

Where an Expression of Wishes Form has been completed recently, it gives a clear indication of your intention, and it is therefore important that you review and update your wishes regularly. **It is advisable to complete an updated Expression of Wishes Form, even where the person(s) you are nominating are not changing.** This reconfirms your decision, making it easier for the Trustee Directors to determine what your wishes would be.

It is particularly important to update your Expression of Wishes if you have had significant changes in your life, such as having a child or a change in your relationship status or family circumstances.

You can complete or update your Expression of Wishes online through the Pensions Portal ([www.lsf.org.uk](http://www.lsf.org.uk)), or by contacting the pensions administration team.

## MONEY AND PENSIONS SERVICE

The Money and Pensions Service is the new name for the government's three financial guidance providers, the Pensions Advisory Service, the Money Advice Service and Pension Wise, which have been merged into a single organisation. It brings together the core services of pensions guidance, money guidance and debt advice.

Sponsored by the Department for Work and Pensions, the Money and Pensions Service is funded by levies on pension schemes and the financial services industry. Its aim is to help everyone manage their personal finances by providing easier access to the information and guidance needed to make effective financial decisions.

Go to [www.moneyandpensionsservice.org.uk](http://www.moneyandpensionsservice.org.uk) for more information and to access the various services.

## PROTECTING YOUR DATA

As you may know, the General Data Protection Regulation (GDPR) came into effect in May 2018. This introduced new, more stringent obligations on all UK businesses (including trustees of pension schemes) to protect the personal data of individuals. The Trustee has worked hard to update all our systems, processes and contracts in line with the new legislation, but this is not a one-off exercise – ‘GDPR is for life’ and we must continue to ensure compliance going forwards. You can find out more about how we manage your personal data, by requesting a copy of our Privacy Notice from the pensions administration team or visiting the Pensions Portal, [www.lsf.org.uk](http://www.lsf.org.uk).



## HAVE YOU REGISTERED FOR OUR ONLINE PORTAL?

The LSF pensions website boasts a secure Pensions Portal, where you can access all of your LSF pensions information.

Once you have registered for the service, depending on your membership status, you will be able to:

- view all your LSF pensions in one place
- download your latest benefit statement as a PDF that you can print or save to your desktop
- run, store, download and print up-to-date retirement and transfer illustrations
- download an Expression of Wishes Form for your nominated beneficiaries
- view your pensions payslips and P60s (pensioners)
- update your contact and bank details
- change your marital status and spouse's details.

If you need help during the registration process, we have produced a handy guide which takes you through each step.

# 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.

**Go to the pensions website:**

[www.lsf.org.uk](http://www.lsf.org.uk)

**Call us:**

020 7648 8970

**Email us:**

[admin@lsf.org.uk](mailto:admin@lsf.org.uk)

**Write to us:**

Lloyd's Superannuation Fund  
Lloyd's Building  
One Lime Street  
London EC3M 7HA

**Visit us:**

If you would like to visit the LSF, the pensions administration team is located at 3rd floor front, 145 Leadenhall Street, London – just opposite one of the entrances into the Lloyd's Building. Please feel free to call in to see a member of the team if you are passing.