Lloyd's Superannuation Fund Trustee's Annual Report and Financial Statements

For the year ending 31 March 2019

LSF PENSIONS MANAGEMENT

Pension Schemes Registry Number: 100798329

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Chairman's report
Navigating through turbulent times

2018 proved to be a turbulent year for pension funds, with well-publicised schemes entering the Pension Protection Fund ("PPF") following the demise of their sponsors, and volatility in investment markets. The Lloyd's Superannuation Fund ("the 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 has been reversed in the first quarter of 2019. Gilt yields, used to measure the Fund's liabilities, have continued their decline, which has been ongoing since before the last triennial valuation. As a result, as set out on page 6, the Scheme Actuary reported that as at March 2018 the deficit had increased to £24.4m (2017: £17.7m), with the funding level falling to 95% (2017: 97%).

I mentioned in last year's report that the Board was considering the twin challenges of increasing expected returns, whilst ensuring that there is adequate liquidity to meet the increased payments out of the Fund. To this end, the Trustee has restructured its investment portfolio, reducing the number of managers responsible for managing the underlying assets, and investing in two private debt pooled funds, managed by Insight and BlueBay. These private debt funds invest across a number of secured finance strategies, such as corporate loans, mortgage pools and bridging finance, and are backed, or secured, against fixed assets. Whilst structured to enable expected benefit payments to be made, they are expected to provide greater returns than traditional corporate bonds as well as returning contractual income as the underlying investments mature.

Despite this restructuring, the net assets, totalling £486.9m as at March 2019, remain well diversified across a range of asset classes. 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. These bond investments include Gilts, backed by the Government, a multi-asset credit fund plus the two private debt funds. On the return seeking side, which are assets intended to narrow the gap between the present funding level and future requirements, the Trustee invests in global equities, and a diversified growth fund. The diversified growth fund will be run down over the next 2 years to provide the assets for the BlueBay 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 page 11.

In the autumn there was a landmark legal case, involving the Lloyds Banking Group Pension Scheme, regarding the equalisation of Guaranteed Minimum Pension ("GMP") benefits accrued since 17 May 1990. Although specific to Lloyds Bank, it had ramifications for all contracted out schemes, including the Fund. The Trustee is working with its advisers to establish how best to comply with the ruling, and the effect on individual members' benefits. It is likely that this will take some time as the legal case has yet to be fully completed.

Looking forward, we are embarking on the next triennial valuation, with an effective date of 31 March 2019. Although the results will not be known until towards the end of 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. Despite this, the Trustee continues to have confidence in the strength of the Fund's sponsoring employer, MS Amlin, with whom it will be working to agree the ongoing financing of the Fund.

Brexit, if I may mention it, continues to rumble on, and, as I write, there continues to be uncertainty as to when, or if, the UK will leave the European Union. Potentially, the biggest impact for the Fund would be a disruption to the ability of our investment managers to properly manage our assets. Currently, investment firms rely on the EU passporting regime to carry out activities within the EEA. If a withdrawal agreement is passed by Parliament then these arrangements will continue under the transitional arrangements. However, the passporting facility will fall away if the UK leaves without a deal in place. As part of its planning for a 'no deal' scenario the FCA has set up a 'temporary permissions regime' that will enable EEA registered firms to continue to operate. The Trustee has ensured that all its investment managers will be able to operate regardless of whether or not the UK leaves with an agreement. Similarly, the sponsoring employer has also taken steps to ensure that it can continue to write business unhindered within the EU.

I would take this opportunity to remind all our members of the Fund's website, www.lsf.org.uk. This provides all members with access to their own personal record, enabling them to make changes to their own personal details in a safe and secure environment. For deferred members it gives them the ability to run their own retirement and transfer illustrations before approaching the LSF for a formal quotation. For pensioners, it provides a secure environment for accessing their monthly payslip, and the Trustee has recently been through an exercise to encourage all its pensioners to obtain their monthly payslip via the website. If you haven't already registered may I recommend that you take a look at the website to see what it offers you.

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 4-year term of office came to an end on the 31 March 2019. I would very much like to thank Chris for his participation as a Director over the last 8 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 1990's and I look forward to working with him.

Finally, 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.

Eric Stobart
Chairman
May 2019

Trustee, participating employers and advisers

Trustee	LSF Pensions Management Limited
Trustee Directors	Eric St Clair Stobart (Independent Chairman) Paul Amer (Employers' Director) (MS Amlin Corporate Services Ltd) Chris Michael Burton (Members' Director) (retired 31 March 2019) Scot Alexander Charley (Members' Director) (MS Amlin Corporate Services Ltd) Michael Anthony Hampton (Independent Director) Robert Werner Mankiewitz (Members' Director) (appointed 1 April 2019) Charles Christopher Tresilian Pender (Employers' Director and Deputy Chairman)
Pensions Manager	Robert Clark F.P.M.I.
Actuary	Richard Gibson F.I.A. (Barnett Waddingham LLP) (from 5 December 2018) Danny Wilding F.I.A. (Barnett Waddingham LLP) (to 4 December 2018)
Independent Auditors	Ernst & Young LLP
Legal Advisers	Sacker & Partners LLP
Investment Consultants	Lane Clark & Peacock LLP
Investment Managers	Aberdeen Standard Investments (to 11 January 2019) BlueBay Asset Management LLP (from 8 February 2019) Insight Investment Management Limited Janus Henderson Global Investors Limited LaSalle Investment Management (from 6 November 2018) (acquired from Aviva Investors Global Services Limited) M&G Investment Management Limited (to 11 February 2019) Newton Investment Management Limited (to 11 January 2019) Ruffer LLP Veritas Asset Management (UK) Limited
Custodian	Northern Trust Global Services SE
AVC Provider	Scottish Equitable plc (part of Aegon NV) (acquired from Blackrock Investment Management (UK) Limited from 1 July 2018)
Banker	National Westminster Bank PLC
Participating Employers	MS Amlin Corporate Services Limited LSF Pensions Management Limited
Enquiries	Enquiries about the Fund generally, or about an individual's entitlement to benefit should be addressed to the Pensions Manager at the following address: Lloyd's Superannuation Fund, Lloyd's Building, One Lime Street, London EC3M 7HA Alternatively, enquires may be made to: admin@lsf.org.uk Website: www.lsf.org.uk Telephone: +44 (0) 20 7648 8970
Registered office	c/o Sackers & Partners LLP, 20 Gresham Street, London EC2V 7JE The Fund is registered with the Pensions Schemes Registry under Number 100798329.

Trustee's annual report

Introduction

The Trustee of the Lloyd's Superannuation Fund is pleased to present its annual report together with the financial statements of the Fund, for the year ended 31 March 2019. The Actuarial Certificate and Report on Actuarial Liabilities form part of this annual report.

The Lloyd's Superannuation 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 income and capital gains are exempt from tax.

Trusteeship arrangements

Trustee

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, a second Independent Director, 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.

During the year, nominations were sought from the membership for a Members' Director. From the nominations received, Mr Robert Mankiewitz was appointed with effect from 1 April 2019, succeeding Mr Chris Burton upon the expiry of his term in office on the 31 March 2019.

Trustee governance

The Board has established a Governance Committee to advise it on the governance of the Fund and, within the parameters set by the Board, to direct and monitor the implementation of the Trustee's governance policies. It also oversees the Terms of Reference for the Board's other Committees and Working Groups, which are:

- the Corporate Events Committee that looks at the impact of events, normally financial, on the ability of the participating employers to meet their obligations to their members;
- The Operations Working Group that oversees the management and operation of the Fund; and
- the Investment & Funding Working Group that oversees the investment of the Fund's assets and the assessment of the Fund's liabilities and how they are to be funded.

The Working 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.

With the exception of the Corporate Events Committee (where there may be conflicts of interest in so doing), Directors may attend any Committee or Working Group meeting whether or not they are members, although only appointed Directors may vote.
The Board may establish other ad-hoc Committees from time to time and delegate to them responsibility to review particular topics.

The Trustee Directors' attendance at meetings of the Board and relevant Committees during the year is summarised below:

	Board Attendance (Maximum)	Committee/Working Group Attendance (Maximum)
E St C Stobart (Chairman of the board)	6	8 (8)*
M A Hampton	6	10 (12)
C C T Pender (Deputy Chairman)	6	8 (8)
C M Burton	6	4 (4)
S A Charley	6	-
P Amer	6	4 (4)

*In addition to the above, a further four Governance meetings were attended as a guest

The Governance Committee and each of the two Working Groups held four meetings during the year. In addition, there was also an informal Investment Working Group meeting ahead of the 2019 Valuation.

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 pensions' environment.

The Directors undertake an annual evaluation of how the Board and they are performing 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.

Risk register

As part of its governance the Directors have established a register of potential risks. Having identified the risks, the Board has considered the impact of those risks, the likelihood of them occurring and the controls in place to mitigate them. From this the Board has ranked those risks with the potential for the greatest impact and ensured that strategies are adopted, and resources made available to manage them effectively.

Whilst the Board is identified as the Risk Owner, the monitoring of risks may be undertaken by the Governance Committee and the two Working Groups. The Board reviews the Register regularly to ensure that the internal controls remain adequate and to identify any additional risks.

Membership and benefits

At 31 March 2019 there were 2,430 members in the Fund, a net decrease over the previous year of 110.

The following information details the membership movement during the year under review and the make-up of the Fund's total membership as at 31 March 2019 and in each of the four previous years.

Membership movement during the year ended 31 March 2019

	Active members	Deferred members	Pensioners	Dependants	Total
At the start of the year	33	1,152	1,124	231	**2,540**
Retirements	-	(52)	52	-	**-**
Deaths	-	(2)	(33)	(13)	**(48)**
Dependants	-	-	-	19	**19**
Leavers	(4)	4	-	-	**-**
Members transferred out	-	(22)	(46)	(13)	**(81)**
At the end of the year	29	1,080	1,097	224	**2,430**

During the year, the Fund carried out a Trivial Commutation exercise with the support of Barnett Waddingham LLP who facilitated the member communications and calculations. This focused on members who had benefits below the HMRC threshold of £30,000. This exercise gave members the option to transfer their benefits for a one-off lump sum and exit the Fund. As a result, 61 members exercised their right to transfer and these are Included within Members transferred out.

Included with Pensioners are 3 (2018: 3) pensioners whose pensions are paid from Annuities held in the name of the Trustee.

Membership 2015-2018

	Active members	Deferred members	Pensioners	Dependants	Total
2015	47	1,420	1,189	239	2,895
2016	42	1,263	1,128	221	2,654
2017	38	1,220	1,122	221	2,601
2018	33	1,152	1,124	231	2,540

Pension increases and transfer values

The Rules require the Trustee to review annually the levels of pensions either prospectively or currently in payment and at its discretion to award an increase, subject to seeking the advice of the Fund 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. Without the support of the sponsor, MS Amlin Corporate Services Limited ("MS Amlin"), to fund for discretionary increases 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 near future.

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 Scheme Rules, referred to as a Scheme's Memorandum. Some employers included guaranteed pension increases within their individual Scheme memoranda, with guaranteed increases ranging from 3% to 5% per annum.

Following receipt of a report from the Fund's 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 Scheme memoranda.

Actuarial status

The 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 2016. An update valuation was performed as at 31 March 2017 and again at 31 March 2018.

	31 March 2018	31 March 2017	31 March 2016
Assets	£486.7m	£510.0m	£463.6m
Amount needed to provide benefits	£511.1m	£527.7m	£484.6m
Deficit	(£24.4m)	(£17.7m)	(£21.1m)
Funding level	95%	97%	96%

The Schedule of Contributions was updated with effect from 22 June 2017 in which MS Amlin agreed to maintain the existing schedule of deficit contributions of £1.23m each year until 31 March 2023. In addition, MS Amlin agreed to maintain the escrow account that provides collateral of up to £14.3m that the Trustee may draw on in limited circumstances.

The results of the triennial valuation of the Fund as at 31 March 2019 will not be available until after the publication of this report and therefore will be updated in the Annual Report & Financial Statements for the year ending 31 March 2020. In the meantime, results will be published via www.lsf.org.uk.

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.

Change in Actuary

During the year, Mr Danny Wilding F.I.A. from Barnett Waddingham LLP resigned his position as Fund Actuary. In his statement on leaving office, he noted no circumstances connected with his resignation which, in his opinion, significantly affected the interests of the members of, or the beneficiaries under, the Fund. His colleague, Mr Richard Gibson F.I.A. was appointed as Fund Actuary in his place.

Legislative review and rule amendments

Sacker & Partners LLP, the Fund's legal adviser, has provided the following commentary on the key changes to legislation affecting pension saving since the previous Report and Financial Statements.

Annual Allowance

From the tax year beginning 6 April 2016 the Annual Allowance has continued to be £40,000; however, any individuals who have "adjusted income" (taxable earnings including pension but not charitable contributions) over £150,000 have a lower standard Annual Allowance for the tax years 2016/2017 onwards. For every £2 of adjusted income over £150,000, an individual's standard Annual Allowance is reduced by £1. The maximum reduction to the standard Annual Allowance will be £30,000, so that anyone with adjusted income of or above £210,000 has a standard Annual Allowance of just £10,000.

As at present, any unused Annual Allowance from the three previous tax years is available to be carried forward and added to an individual's standard Annual Allowance.

The Government reduced the Money Purchase Annual Allowance from £10,000 to £4,000 with effect from 6 April 2017. Please note that it is not possible to "flexibly access" defined contribution ("DC") savings directly from the Fund and a member would need to transfer-out in order to do this. Financial advice is recommended.

This is a summary only, not a full explanation of the changes to the Annual Allowance. Any member of the Fund who thinks they might be affected by these changes should speak to a tax adviser and/or an independent financial adviser.

Lifetime Allowance

It was confirmed in the 2018 Budget that from 6 April 2019, the Lifetime Allowance would be increased from £1,030,000 to £1,055,000. Benefits above this amount are subject to tax charges in addition to the normal tax charges on income.

Certain members may have applied to HMRC for transitional protections in relation to the Lifetime Allowance. If you have such protection and have not already done so, please inform the LSF administration team.

Pension liberation scams

Pension liberation scams include attempts to inappropriately release funds from HMRC registered pension schemes, often resulting in a tax charge that is normally not anticipated by the member. In some instances, the arrangement may even be fraudulent, with a member receiving little or no benefits post transfer to the pension scam vehicle.

The Trustee will continue to carry out appropriate checks when undertaking transfers to seek to ensure the receiving scheme is not engaged in pension liberation.

The Pensions Regulator has produced a booklet on the warning signs for pension scams which can be found at www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf.

Data protection

On 25 May 2018 new rules about how the Trustee can use personal data came into force. The General Data Protection Regulation ("GDPR") was introduced throughout the EU and will continue to apply in the UK after Brexit through the UK's Data Protection Act 2018. So that the Trustee can run the Fund and pay benefits, it needs to hold and process personal data, such as members' names, dates of birth, National Insurance numbers and salaries, as well as sharing the personal data with some of the Trustee's advisers, such as the actuary. The GDPR places stricter requirements on how the Trustee does this. A copy of the Trustee's privacy notice is available at www.lsf.org.uk/your-pension/privacy-notice/.

Transfers from the Fund

Members may be interested in transferring-out if, for example, they wish to "flexibly access" benefits in a DC arrangement.

Since April 2015, members who want to transfer DB benefits (such as the main benefits in the Fund) to a DC arrangement have needed to get independent advice from a professional financial adviser, except where the value of the member's DB benefits is £30,000 or less. The adviser must be regulated by the Financial Conduct Authority ("FCA") to give advice on pension transfers.

The Trustee is required to check that advice has been given and that the adviser has the appropriate FCA authorisations before it is able to make the transfer. Even if the transfer value is less than £30,000, the Trustee recommends that members take financial advice. The Trustee recognises that planning for retirement is one of the most important financial decisions an individual can take, and therefore it has entered into an arrangement with Foster Denovo Limited, a firm of financial advisers, to provide members approaching retirement with independent financial advice at a reduced cost should they wish to investigate transferring from the Fund instead of drawing their pension. Transferring may not be in one's best interests, so it is important that proper advice is sought. Members will be provided with details of this advice service once they become eligible.

Transfers to qualifying recognised overseas pension schemes requested after 9 March 2017 will be subject to a 25% tax charge in certain circumstances. Any Fund member who is considering requesting a transfer to a qualifying recognised overseas pension scheme should speak to a financial adviser to find out more information about how this tax charge applies.

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. There is still considerable uncertainty about the decision and working out how to adjust affected members' benefits will be a complex process, which is likely to take many months or years to complete. The Trustee is currently considering and taking advice as to how to proceed with this complicated area.

The Rules of the Fund

The Rules of the Fund have not been amended since the last Report and Financial Statements.

Sacker & Partners LLP
April 2019

Market review

Lane Clark & Peacock LLP ("LCP"), the Fund's investment consultant, has provided the following commentary on how investment markets have fared over the 12 months to 31 March 2019.

Economic overview

Over the calendar year 2018, most major asset classes produced negative returns in the context of political instability and an uncertain outlook. Volatility was caused by a variety of global concerns including increased trade tensions between the US and China, rising central bank rates and uncertainty around the outcome of Brexit. However, in the first quarter of 2019 global markets rebounded strongly as concerns over US-China tensions eased and major banks grew more accommodative.

Global growth prospects deteriorated over the period with both the International Monetary Fund ("IMF") and the Organisation for Economic Co-operation and Development ("OECD") revising their 2018-19 and future global growth projections down. Trade tensions, the Chinese economic slowdown and global political malaise are cited as the root causes behind the expected slowed growth.

In July, the UK economy was sufficiently healthy for the BoE to raise rates to 0.75%. Manufacturing hit a 13-month peak in March 2019, mostly due to companies stockpiling ahead of Brexit. The employment rate (76.1% in January was the highest on record) and rising real wages were more positive. UK GDP growth was at 0.2% in Q4 2018, supported by debt-fuelled consumer spending, and for a record 9th consecutive quarter, UK households outspent their earnings.

The US saw two interest rate hikes by the Federal Reserve in August 2018 and December 2018. Economically, the US remains healthy despite the ongoing trade tensions with China. Q4 2018 growth moderated to 2.2% (annualised) from unsustainable higher growth figures earlier in the year. January 2019 saw 100 consecutive months of job creation with February and March continuing the streak.

China experienced both weakening consumer spending and investment: retail sales growth (8.1% in November 2018) was the lowest in 15 years. Meanwhile auto sales fell over 2018, the first time since the 1990s and infrastructure spending also suffered. The country's latest overall GDP growth rate of 6.6% is the lowest since 1990. Japan, like much of Asia Pacific, tends to suffer when China does: manufacturing confidence fell to a two year low in Q1 2019, resulting in flat GDP growth.

Performance of the Fund's assets

Over the twelve-month period to 31 March 2019, the Fund returned +5.0% (after fees). Below, we outline the market commentary for the main asset classes in which the Fund's portfolios are invested.

Bonds performance

Gilt yields remained close to historical lows and continued to be volatile over 2018, despite the Bank of England raising interest rates from 0.5% to 0.75%, the highest level since 2009. The rate increase was largely anticipated by investors, therefore having a minimal impact on markets. Over the first quarter of 2019, yields fell for both fixed and index-linked gilts at all maturities. Over the 12 months to 31 March 2019, the FTSE UK Gilts All Stocks index returned +3.7% and the FTSE UK Index-Linked Gilts All Stocks index returned +5.5%.

Over the 12 months to 31 March 2019, the Fund's Liability Driven Investment ("LDI") portfolio managed by Insight returned +5.7% (after fees). Overall, long-term gilt yields fell, resulting in positive returns for fixed income investors (as yields and prices are inversely related). As the LDI portfolio is mainly invested in gilts, this resulted in positive returns over the period.

The Fund invested in a contractual income portfolio in January 2019, which is invested in a range of different bond assets. Due to the short track record, performance commentary for this portfolio is unavailable for this period.

The Fund had exposure to bonds via pooled funds managed by several investment managers over the year (i.e. Newton, M&G, Janus Henderson and Aberdeen Standard) and via a segregated diversified growth portfolio with Ruffer. Corporate bonds produced positive returns overall over the year, particularly over the first quarter of 2019, as macroeconomic factors dominated market sentiment. Overall this resulted in a positive return for the Fund's multi-asset credit portfolio managed by Janus Henderson which returned +2.6%. The global credit portfolio managed by Newton and multi-asset credit portfolio managed by M&G were fully redeemed in the first quarter of 2019.

Equity performance

The Fund's global equity portfolio, managed by Veritas, returned +17.3% (after fees) over the twelve months to 31 March 2019.

Global equities produced strong positive returns generally over the year with the US producing the biggest returns (+17.7%). Due to domestic worries, European equities (+2.9%) and UK equities (+6.4%) delivered more subdued positive returns. The depreciation of sterling over the last twelve months aided returns of the Fund's global equities which are unhedged.

Trump's tax cuts, a healthy economy and strong US corporate profitability propelled US markets upwards over the year to 31 March 2019. However, this was partly offset at the end of 2018, as global stock markets fell due to concerns over inflation and US-China trade sanctions. The trade tensions and a rise in the US Dollar put pressure on emerging market equities. The US market also suffered from technology specific issues; a sector which comprises a large part of the US equity market. The first quarter of 2019 saw a sharp rise in US equities led by energy stocks on the back of higher oil prices. There was also an air of positivity surrounding a resolution to the US-China trade war.

Alternatives performance

The Fund's diversified growth portfolios, managed by Aberdeen Standard (from which the Fund fully disinvested in January 2019) and Ruffer, delivered negative returns over the twelve months to 31 March 2019 of -3.7% and -0.4% respectively (after fees). Aberdeen Standard's negative return was largely due to unsuccessful idea generation and, in particular, exposure to Italy was a notable detractor in May 2018. Over the one year to 31 March 2019, Ruffer delivered a small negative return, largely due to the equity losses felt in Q4 2018, which weren't quite able to be recouped in the first quarter of 2019 as equity markets rebounded.

The Fund's property portfolio managed by Aviva delivered a positive return of 4.0% (after fees). UK property continues to produce reasonable returns, even over a volatile 2018, with rental yields at healthy levels. However, parts of the retail sector were under pressure through the year due to the online market's rapid growth and more nimble players.

Strategic changes

Over the twelve-month period to 31 March 2019, the Trustee, after taking advice from its investment adviser, Lane Clark & Peacock LLP, undertook a restructuring of the Fund's investment portfolio.

The purpose of the restructuring was largely to include an allocation to a "Contractual Income" portfolio, which has been designed to help meet the Fund's net cash outflows until around 2027. This was funded by full redemptions from the Fund's allocations to Aberdeen Standard (Diversified Growth), Newton (Global Credit) and M&G (Multi-asset Credit), as well as transferring some monies across from Insight's LDI portfolio.

Within the Insight LDI portfolio, cash for funding the Contractual Income portfolio was raised via repurchase agreements ("repos"). At the Trustee's instruction, Insight also took steps over the twelve months to increase the expected return within the LDI portfolio by raising cash via repos and investing the proceeds in asset-backed securities (bonds backed by financial assets such as mortgages). The combined effect of these transactions was to increase the level of repo exposure in the Fund over the twelve-month period to 31 March 2019.

The Trustee has also agreed to invest in a Private Credit portfolio with BlueBay Asset Management ("BlueBay"), which will be funded partly by a full redemption of the Fund's allocation to Ruffer (Diversified Growth) and partly by raising cash from Insight's LDI portfolio via repos. The funding of the BlueBay portfolio will be completed via a series of instalments over the next two years. The first instalment was invested after the Fund year end, in May 2019, funded from redeeming assets in Ruffer.

Lane Clark & Peacock LLP
May 2019

Investment review

Investment performance

The returns (after fees) of the Fund's investment portfolios during the year to 31 March 2019 are shown in the table below. The figures have been calculated by LCP using information provided by the investment managers. The Fund's assets with Aberdeen Standard, Newton and M&G were fully disinvested during Q1 2019.The proceeds from these portfolios were re-invested into a Contractual Income portfolio with Insight. The table below shows the part-period performance for these funds either up to the disinvestment date or since the investment date.

Investment Manager	Asset allocation as at March 2019 %	Actual Net Performance %	Benchmark %	Out (under) performance %
Veritas *(Global Equity)*	11.2	17.3	11.1	6.2
Aberdeen Standard *(Diversified Growth)*	-	(3.7)	0.7	(4.4)
Ruffer *(Diversified Growth)*	7.4	(0.4)	0.9	(1.3)
Newton *(Global Credit)*	-	0.4	0.5	(0.1)
LaSalle *(Property)*	2.3	4.0	6.1	(2.1)
M&G *(Multi-asset Credit)*	-	(0.2)	0.5	(0.7)
Janus Henderson *(Multi-asset Credit)*	6.7	2.6	0.8	1.8
Insight *(Contractual Income)*	31.6	0.3	0.2	0.1
Insight *(LDI)*	40.8	5.7	6.2	(0.5)
Total Fund (excluding AVC's and Annuities)	**100.0**	**5.0**	**4.1**	**0.9**

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 a proportion of the Fund's liabilities.

The purpose of the Contractual Income portfolio is to provide a contractual stream of cash flow payments to the Fund until around 2027 to help enable the Fund to meet its cashflow obligations over the period without the need to sell investment assets.

Historical performance (after fees)

Annual Returns	Actual Net Performance %	Benchmark %	Out (under) performance %
2014/15	18.2	16.7	1.5
2015/16	2.6	2.8	(0.2)
2016/17	14.6	13.2	1.4
2017/18	1.2	1.3	(0.1)
2018/19	5.0	4.1	0.9

Annualised Returns	Actual Net Performance %	Benchmark %	Out (under) performance %
3-year return	6.8	6.0	0.8
5-year return	8.1	7.4	0.7

Custodial arrangements

Custodian services are provided by Northern Trust Global Services SE. The custodian is responsible for the safe keeping of share certificates and other documents relating to the ownership of listed investments or, more usually, for holding securities electronically. Equities are held in the name of the custodian nominee companies, which is in line with common practice for pension scheme investments. These arrangements still allow stewardship responsibilities, such as voting at general meetings when applicable, to be exercised by fund managers.

The Trustee is responsible for ensuring that the Fund's assets continue to be held securely. It reviews the custodian arrangements from time to time.

Employer related investments

Details of employer related investments are given in note 21 to the Financial Statements.

Financial development of the Fund

The Financial Statements set out on pages 17 to 32 have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Deficit funding contributions from MS Amlin of £1.23m were received in the year (2018: £1.23m) in accordance with the Fund recovery plan agreed with the employers following the valuation at 31 March 2016. The current recovery plan stipulates that deficit funding contributions will continue to be paid until 31 March 2023 at which time the 2016 Actuarial Valuation indicated that the deficit was expected to have been eliminated.

During the year, net withdrawals from dealing with members (e.g. pensions paid and transfers out) were £26.7m while the net returns on investments increased to £28.6m (comprised largely of a change in market value of investments of £21.7m). As a result, the net assets of the Fund increased to £486.9m at 31 March 2019. Further detail can be found on page 17.

As part of the investment restructuring, the Fund gave notice to Aberdeen Standard Investments (Diversified Growth), Newton Investment Management Limited (Global Credit) and M&G Investment Management Limited (Multi-asset Credit). The redemptions were completed in the first quarter of 2019 with the proceeds reinvested into the Insight Secured Finance Direct Lending Fund which was opened in January 2019.

The LDI portfolio holdings were reduced with funds reinvested into the Insight Liquid ABS Fund (£25m), Insight Global ABS Fund (£25m) and Insight Secured Finance Direct Lending Fund (£40m).

In September 2016, a full redemption was placed with Aviva Investors Global Services Limited (now known as LaSalle Investment Management following their acquisition of the Aviva's Real Estate Multi Manager arm in November 2018). During the year, the Fund received £8.3m from sales (2018: £7.3m), with an expected completion for redemption being December 2023.

Development and disposition of the Fund for the years 2015-2019

	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m
Equities	61.7	60.7	62.6	58.2	61.0
Bonds	246.8	273.2	263.2	346.8	387.9
Pooled investment vehicles	257.4	197.2	234.2	171.2	282.9
Derivatives	(30.9)	(29.6)	(26.9)	(22.2)	(11.9)
Annuity policies	-	8.1	9.0	7.9	7.8
AVC investments	0.7	0.6	0.5	0.4	0.4
Other investments	7.5	3.6	3.0	2.4	27.2
Cash deposits	9.1	11.5	31.6	10.8	13.2
Other investment balances	(89.9)	(63.5)	(67.6)	(91.9)	(283.7)
Total	**462.5**	**461.8**	**509.6**	**483.6**	**484.8**

AVC Plan

Management

The assets of the Fund's Additional Voluntary Contributions ("AVC") Plan are managed by Scottish Equitable plc ("Scottish Equitable"). Scottish Equitable is part of Aegon UK who acquired the Blackrock Investment Managers investment platform and administrative business on 1 July 2018. Aegon is the brand name for Scottish Equitable and is used in all correspondence with the Fund and its members.

Policy

Contributions are used to purchase units in a range of funds, as decided by each individual member. Alternatively, a member can select the "Lifestyle" strategy, which automatically chooses the investments and switches them into more stable investment funds near to normal retirement. The switch takes place gradually over a period of five years with completion expected within one year from the members normal retirement date.

Investment performance

In the year ended 31 March 2019 the annualised returns (before fees) on the funds available were as follows:

	70/30 Global Growth %	UK Growth %	World (Ex-UK) Equity %	Pre-Retirement %	Cash %
			Class J Units		
1yr return	6.81	6.78	12.05	4.48	0.58
Benchmark	6.60	6.36	11.72	4.54	0.50
5yr return	8.71	7.71	13.09	7.22	0.36
Benchmark	7.71	6.10	12.92	7.14	0.32

Aegon's annual management charge is incorporated within the unit price for Class J units.

Further information about the funds available, factsheets and current prices can be found at: https://digital.feprecisionplus.com/AegonDC.

Statement of Trustee's responsibilities

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice including the Financial Reporting Standard applicable in the UK (FRS 102) are the 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 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 the preparation of the Financial Statements 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 it 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 employers and the active members 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 active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employers 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.

Internal dispute resolution procedures

It is a requirement of the Pensions Act 1995 that all Pension Schemes must have an internal dispute resolution procedure in place for dealing with disputes between the Trustee and the Fund beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the Pensions Manager at the address shown on page 3.

Further information

Enquiries about the Fund should be addressed to the Pensions Manager at the address on page 3. Fund documents can also be obtained from www.lsf.org.uk.

On behalf of the Trustee,

E S Stobart
Chairman

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 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities, other than 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 below. We are independent of the Fund 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Trustee has not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the Financial Statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's responsibilities set out on page 14, the Trustee is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Fund'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 Trustee either intends to wind up the Fund 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.

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 Fund's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. 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 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 Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Reading
Date: 18 July 2019

Notes:

1. The maintenance and integrity of the Lloyd's Superannuation Fund web site is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Fund Account
for the year ended 31 March 2019

	Note	Total 2019 £'000	Total 2018 £'000
Contributions and benefits			
Employer Contributions		1,851	1,831
Employee Contributions		91	97
Total contributions	3	1,942	1,928
Benefits paid or payable	4	(17,980)	(16,721)
Payments to leavers	5	(9,094)	(17,244)
Other payments	6	(26)	(25)
Administrative expenses	7	(1,541)	(1,658)
		(28,641)	(35,648)
Net withdrawals from dealings with members		(26,699)	(33,720)
Returns on investments			
Investment income	8	8,160	7,213
Taxation	8	(70)	(102)
Change in market value	9	21,712	2,918
Investment management expenses	10	(1,209)	(1,354)
Net returns on investments		28,593	8,675
Net increase / (decrease) in Fund during the year		1,894	(25,045)
Net assets of the Fund at start of year		484,973	510,018
Net assets of the Fund at end of year		486,867	484,973

The notes on pages 19 to 32 form part of these Financial Statements.

Statement of Net assets
available for benefits as at 31 March 2019

	Note	Total 2019 £'000	Total 2018 £'000
Investment assets	9		
Equities		**60,958**	58,160
Bonds		**387,865**	346,793
Pooled investment vehicles	11	**282,935**	171,179
Derivatives	13	**133,855**	126,023
Annuity policies		**7,745**	7,954
Other investments		**27,247**	2,462
AVC investments	14	**425**	425
Cash deposits		**13,188**	10,825
Other investment balances	12	**18,462**	2,381
		932,680	726,202
Investment liabilities			
Derivatives	13	**(145,774)**	(148,245)
Other investment balances	12	**(302,126)**	(94,313)
		(447,900)	(242,558)
Total net investments		**484,780**	483,644
Fixed assets	18	**4**	3
Current assets	19	**3,176**	2,354
Current liabilities	20	**(1,093)**	(1,028)
		2,087	1,329
Net assets of the Fund at 31 March		**486,867**	484,973

The Financial Statements summarise the transactions of the Fund and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 36 to 38 of the annual report and these Financial Statements should be read in conjunction with it.

Approved on behalf of the Directors on 18 July 2019

Signed on behalf of LSF Pensions Management Ltd on 18 July 2019

E S Stobart
Chairman

M A Hampton
Director

Notes to the Financial Statements
for the year ended 31 March 2019

1 Establishment, purpose and structure of the Fund
The main purpose of the Fund, which was established by Trust Deed on 10 October 1929, is the provision of pensions for office staff employed by members, subscribers or associates of Lloyd's upon their retirement.

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a) Basis of preparation
The 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 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised July 2018) ("the SORP"). The 2018 SORP is effective for years commencing on or after 1 January 2019, however, the Trustee has adopted the revision early, having previously applied guidance set out in the 2015 SORP. There has been no impact on the previous year's Financial Statements as a result of the early adoption.

b) Currency
The Fund's functional currency and presentational currency is pounds sterling (GBP).

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the Fund's year end. Foreign currency transactions are recorded into 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.

c) Contributions
i. Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the employer. Employer normal contributions are accounted for on the same basis as the employee's contributions, in accordance with the Schedule of Contributions in force during the year.
ii. Employer deficit funding contributions are accounted for when due, in accordance with the Schedule of Contributions under which they are payable or on receipt, if earlier, with the agreement of the employer and Trustee if this is not in direct conflict with the wording of the applicable Schedule.
iii. Employer 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.
iv. Employer s75 debt contributions are accounted for when a reasonable estimate of the amount due can be determined.

d) Individual transfers
Individual transfers to and from the Fund during the year are included in the Financial Statements on the basis of when the member liability is accepted or discharged, normally when the transfer is paid or received.

e) Benefits
Pensions in payment, including pensions funded by annuity contracts, are recognised in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Fund.

Where the Trustee agrees or are 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.

f) Administration expenses

Administration expenses and premiums on term insurance policies are accounted for on an accruals basis.

g) Investment income and expenditure

Revenue is recognised when the Fund's right to receive payment is established as set out below.

Income from bonds and cash is accounted on an accrual basis, calculated on a daily basis. Interest purchased and sold on investment transactions is reported in investment income in the Fund Account.

Dividend revenue is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established.

Income arising from the underlying investments of the pooled investment vehicles that is rolled up within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value. Where income is distributed it is included in investment income when the Fund's right to receive the payment is established. Income arising from annuity policies is recognised on an accruals basis in the month to which it relates and is included within investment income.

The Fund is exempt from income and capital gains taxation in the United Kingdom. However, in some jurisdictions, investment income and capital gains are subject to irrecoverable withholding tax deduced at the source of the income and this is shown separately within returns on investments.

The change in the 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 on sales of investments during the year which are calculated by reference to the average value of holdings at the date of sale.

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 management expenses are accounted for on an accruals basis and shown separately within returns on investments.

h) Investment assets and liabilities

Investment assets and liabilities are included in the Financial Statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the Financial Statements where used.

The methods of determining fair value for the principal classes of investments are:

- Equities, bonds and certain pooled investment vehicles which are traded on an 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 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 closing out the contract at the reporting date by entering into an equal and opposite contract at that 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 the benefits payable for certain pensioners, and prospective pensioners, of the Fund. The annuity policy has been valued on an actuarial basis.

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.

3 Contributions receivable

	Total 2019 £'000	Total 2018 £'000
Employer Contributions		
Normal	**613**	593
Deficit funding	**1,230**	1,230
Other contributions	**8**	8
	1,851	1,831
Employee Contributions		
Normal	**89**	93
AVCs	**2**	4
	91	97
Total contributions	**1,942**	1,928

Deficit funding contributions of £1,230,000 per annum are being paid by MS Amlin to the Fund until 2023 in accordance with the recovery plan dated 28 June 2017 in order to improve the Fund's funding position.

Other contributions comprise £8,325 received from MS Amlin to cover the PPF Levy in line with the Schedule of Contributions.

4 Benefits paid or payable

	Total 2019 £'000	Total 2018 £'000
Pensions	**(15,441)**	(15,302)
Commutations of pensions and lump sum retirement benefits	**(2,422)**	(1,366)
Lump sum death benefits	**(36)**	(29)
Taxation where lifetime or annual allowance exceeded	**(81)**	(24)
Total benefits paid or payable	**(17,980)**	(16,721)

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

Included within Commutations of pensions and lump sum retirement benefits are 61 trivial commutations totalling £451,318 (2018: nil).

GMP Equalisation

As explained in the Chairman's report on page 1 and the Trustee's annual report on page 8, 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 the 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 of the Fund 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. Based on an initial assessment of the likely backdated amounts and related interest, 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.

5 Payments to and on account of leavers

	Total 2019 £'000	Total 2018 £'000
Individual transfers to other Schemes	**(9,094)**	(17,244)

6 Other payments

	Total 2019 £'000	Total 2018 £'000
Life assurance premiums	**(26)**	(25)

7 Administrative expenses

	Total 2019 £'000	Total 2018 £'000
Actuarial fees	**(320)**	(344)
Administration and other expenses	**(637)**	(692)
Audit fees	**(40)**	(64)
Directors' fees and Professional indemnity insurance	**(166)**	(168)
Independent covenant review	**(11)**	(13)
Investment consultancy fees	**(290)**	(294)
Legal fees	**(141)**	(113)
Other professional fees	**(5)**	-
Regulatory levies	**(19)**	(20)
VAT recovered	**88**	50
Total administrative expenses	**(1,541)**	(1,658)

The Fund bears all costs of administration. VAT is recovered in respect of administrative expenses. Further VAT is recovered in respect of investment management expenses and is disclosed under note 10.

8 Investment income

	Total 2019 £'000	Total 2018 £'000
Dividends from equities	**995**	1,040
Income from bonds	**7,770**	6,424
Income from pooled investment vehicles	**1,405**	1,624
Net expense from derivative contracts	**(1,164)**	(1,988)
Repo interest expense	**(1,127)**	(299)
Annuity income	**129**	128
Interest on liquid assets and deposits	**82**	182
Total investment income	**8,090**	7,111

Dividends from equities include irrecoverable tax of £69,527 (2018: £79,499) and income from pooled investment vehicles includes irrecoverable tax of £187 (2018: £22,840).

Income from pooled investment vehicles includes indirect property expenses of £54,667 (2018: £74,506).

AVC Income is reinvested and therefore reflected in the change in market value under note 9.

9 Reconciliation of net investments

	Market Value at 01/04/2018 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in Market Value £'000	**Market Value at 31/03/2019 £'000**
Equities	58,160	24,926	(30,133)	8,005	**60,958**
Bonds	346,793	82,659	(55,020)	13,433	**387,865**
Pooled investment vehicles	171,179	241,300	(127,524)	(2,020)	**282,935**
Derivatives	(22,222)	10,037	(2,209)	2,475	**(11,919)**
Annuity policies	7,954	-	-	(209)	**7,745**
AVC investments	425	54	(82)	28	**425**
Other investments	2,462	46,625	(21,840)	-	**27,247**
	564,751	405,601	(236,808)	21,712	**755,256**
Cash deposits	10,825				**13,188**
Other investment balances	(91,932)				**(283,664)**
Total investments	483,644				**484,780**

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.

Pooled investment vehicles, Derivatives and AVC investments are detailed further in notes 11,13 and 14 respectively.

Other investments comprise of a Liquidity Fund held with Insight. The purpose of the Liquidity Fund is to provide stability of capital and daily liquidity along with income comparable to short-term sterling interest rates.

Other investment balances comprise of accrued income, outstanding settlements and repurchase agreements and are detailed in note 12.

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. Further detail of these costs can be found on page 30.

10 Investment management expenses

	Total 2019 £'000	Total 2018 £'000
Investment managers expenses	**(1,209)**	(1,354)

VAT recovered in 2019 on Investment management expenses amounted to £60,256 (2018: £52,220).

Investment management expenses excludes indirect investment expenses incurred, for example, where expenses are allowed for in the unit pricing of assets held in unitised funds.

11 Pooled investment vehicles

	Total 2019 £'000	Total 2018 £'000
Managed global credit bonds	**31,928**	119,352
Managed corporate bonds	**88,156**	-
Other managed funds	**5,156**	36,743
Indirect property	**7,235**	15,084
Contractual income	**150,460**	-
Total pooled investment vehicles	**282,935**	171,179

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:

	Total 2019 £'000	Total 2018 £'000
Bonds	**84,307**	-
Derivatives	**23**	-
Other investments	**72,327**	-
Cash deposits	**98**	-
Other investment balances	**(6,295)**	-
Total contractual income	**150,460**	-

Other investments comprise of a Liquidity Fund, while Other investment balances comprise of outstanding settlements.

12 Other investment balances

	Total 2019 £'000	Total 2018 £'000
Accrued income	**1,616**	1,722
Outstanding settlements	**16,846**	659
	18,462	2,381
Outstanding settlements	**(40,455)**	(745)
Repurchase agreements	**(261,671)**	(93,568)
	(302,126)	(94,313)
Total other investment balances	**(283,664)**	(91,932)

The Fund held collateral of £15,204,249 (2018: £3,852,953) consisted of cash and pledged collateral of £258,641,497 (2018: £97,573,879) constituted of bonds in respect to the Repurchase agreements as at 31 March 2019.

13 Derivative contracts

	2019 Assets	Liabilities	Total £'000	2018 Assets	Liabilities	Total £'000
Over-the-counter contracts						
Swaps	**133,700**	**(145,718)**	**(12,018)**	125,763	(148,243)	(22,480)
Forward foreign exchange	**154**	**(55)**	**99**	260	(2)	258
Total derivative contracts	**133,854**	**(145,773)**	**(11,919)**	126,023	(148,245)	(22,222)

Objectives and policies for holding derivatives

The Trustee has authorised the use of derivative financial instruments by the investment managers as part of their investment strategy as follows:

- **Swaps:** The Trustee aims to match the liability-driven element of the investment portfolio with the Fund's long-term liabilities, particularly 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 Fund's liability profile.

- **Forward foreign exchange:** 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. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Outstanding derivative financial instruments at the year-end are summarised as follows:

Swaps (over-the-counter)

Type of contract	Duration	Number of contracts	Notional £'000	Asset £'000	Liability £'000
Interest rate swaps	0-10 years	28	91,255	19,630	(20,982)
	10-20 years	26	91,898	16,024	(13,789)
	20+ years	94	257,222	87,052	(66,689)
				122,706	**(101,460)**
Inflation rate swaps	0-10 years	21	178,269	3,014	(4,737)
	10-20 years	34	89,075	2,737	(4,678)
	20+ years	68	85,182	5,243	(18,301)
				10,994	**(27,716)**
Other swaps	20+ years	1	13,300	-	(16,542)
				-	**(16,542)**
				133,700	**(145,718)**
Total net swaps					**(12,018)**

The Fund held collateral of £11,191,539 (2018: £8,257,850) constituted of cash and bonds and pledged collateral of £21,135,729 (2018: £31,579,697) constituted of bonds in respect to the Swaps as at 31 March 2019.

Forward foreign exchange contracts (over-the-counter)

Settlement Date	No of contracts	Currency	Bought £000	Currency	Sold £000	**Asset £000**	**Liability £000**
Within 1 month	1	GBP	3,039	EUR	(3,394)	**113**	**-**
	15	GBP	4,820	USD	(6,264)	**18**	**(4)**
	12	USD	3,238	GBP	(2,479)	**6**	**-**
Within 3 months	1	GBP	11,849	USD	(15,559)	**-**	**(48)**
	1	GBP	747	JPY	(108,028)	**-**	**(3)**
	1	USD	2,079	GBP	(1,572)	**17**	**-**
						154	**(55)**
Total net forward foreign exchange contracts						**99**	

14 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.

Investments and other assets attributable to members' interests in the AVC section of the defined benefit section at the year-end comprise:

	Total 2019 £'000	Total 2018 £'000
Aegon	**425**	425

Prior to 2000 AVC's paid by members of the defined benefit section were invested in-house, comingled 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.

	Total 2019 £'000	Total 2018 £'000
Market Value as 1 April	**282**	277
Interest credit	**5**	5
Monies out	**-**	-
Market Value as 31 March	**287**	282

15 Fair value hierarchy of investment assets and liabilities

The fair value of investments has been determined using the following hierarchy:

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date	→ Level 1
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 2
Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability	→ Level 3

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.

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 restrictions on redemptions such as lock up periods and redemption gates.

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 have been included at fair value within these categories as follows:

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	60,958	-	-	**60,958**
Bonds	-	387,865	-	**387,865**
Pooled investment vehicles	-	125,240	157,695	**282,935**
Derivatives	-	99	(12,018)	**(11,919)**
Annuity policies	-	-	7,745	**7,745**
AVC investments	-	425	-	**425**
Other investments	-	27,247	-	**27,247**
Cash deposits	13,188	-	-	**13,188**
Other investment balances	-	(283,664)	-	**(283,664)**
	74,146	257,212	153,422	**484,780**

Analysis for the prior period end is as follows:

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	58,160	-	-	**58,160**
Bonds	-	346,793	-	**346,793**
Pooled investment vehicles	-	156,095	15,084	**171,179**
Derivatives	-	258	(22,480)	**(22,222)**
Annuity policies	-	-	7,954	**7,954**
AVC investments	-	425	-	**425**
Other investments	-	2,462	-	**2,462**
Cash deposits	10,825	-	-	**10,825**
Other investment balances	-	(91,932)	-	**(91,932)**
	68,985	414,103	558	**483,644**

16 Investment risk and management objectives and polices

FRS 102 requires the disclosure of information in relation to certain 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 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 comprises currency risk, interest rate risk and other price risk defined as follows:

- Currency risk 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 risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest 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 determines the Fund's investment strategy after taking advice from their investment adviser LCP. The Fund has exposure to these risks via the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Fund's investment objectives and the investment strategy, along with the advice of their investment advisers. Within the investment funds, investment objectives and restrictions to manage risk are implemented through the investment management agreements in place with the Fund's investment managers and are monitored by the Trustee by regular reviews of the investment portfolio.

The table below summarises the extent to which the various classes of investments are affected by financial risks.

	Credit risk	Market risk			Total 2019 £'000	Total 2018 £'000
		Currency	Interest rate	Other price		
LDI	●	○	●	●	**194,564**	221,249
Global credit	●	●	●	○	**-**	46,706
Multi asset credit	●	○	●	○	**31,928**	72,646
Global equity	○	●	○	●	**53,218**	49,701
Diversified growth	●	●	●	●	**35,503**	67,272
Indirect property	○	○	○	●	**10,937**	17,692
Contractual income	●	○	○	○	**150,460**	-
Annuities	●	○	●	○	**7,745**	7,954
					484,355	483,220

In the table above, the risk noted affects the asset class ● significantly or ○ hardly/not at all.

Further information on the Trustees' approach to risk management, credit and market risk is set out below.

1. Credit risk

Some of the Fund's assets are held in pooled funds and are therefore directly exposed to credit risk in relation to solvency of the investment managers (Janus Henderson, M&G, Newton and Aberdeen Standard (the latter three were fully redeemed during the year and were no longer held at the reporting date)) and the custodians of those funds.

Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment managers, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled fund arrangements. The Trustee, with the help of its advisers, carries out due diligence checks on the appointment of new investment managers, and on an ongoing basis, monitors any changes to the operating environment of the existing pooled managers.

The LDI portfolio managed by Insight is exposed directly to credit risk, as Insight makes significant use of derivative instruments to efficiently match the Fund's liabilities. The Fund's investment management agreement with Insight sets limits to ensure that any derivative counterparty is of sufficiently high credit quality and to limit the maximum exposure to any single counterparty. The derivative positions are collateralised daily, to ensure that the extent of credit risk is limited to one day's market movements. Credit risk on repurchase arrangements is mitigated through collateral arrangements as disclosed in note 12. The Trustee monitors Insight's performance and positioning on a quarterly basis.

The Contractual Income portfolio managed by Insight is held in a pooled fund in which the Trustee is the sole investor. It is exposed to direct credit risk through the bonds held in the portfolio, which largely comprises secured finance asset classes, direct lending to companies and other forms of financing. Insight manages credit risk by holding a diversified exposure to different credit issuers within the portfolio.

The diversified growth portfolio managed by Ruffer is exposed to direct credit risk as Ruffer is able to hold corporate bonds. The extent of credit risk varies over time depending on how Ruffer changes the underlying asset allocation to reflect its market views. Ruffer manages credit risk by holding a diversified portfolio of assets and actively managing its corporate bond holdings. The Trustee monitors Ruffer's performance and positioning on a quarterly basis.

The Fund is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds. The amount invested in each of these mandates is shown in the Statement of Net Assets. Indirect credit risk is mitigated by investing across a range of different portfolios and managers; and by only investing in funds which hold a diverse exposure to a range of different credit issuers and having only a limited exposure to bonds rated below investment grade.

2. Market risk

2.1 Currency risk

Whilst the majority of the currency exposure of the Fund's assets is Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trustee monitors each fund managers' performance and positioning on a quarterly basis.

The extent of currency risk is mitigated by the pooled fund managers taking steps to hedge almost all non-Sterling exposure.

The Contractual Income portfolio managed by Insight hedges all overseas currency exposure back to Sterling and is therefore not exposed to direct currency risk.

The segregated portfolios managed by Veritas and Ruffer are exposed to direct currency risk where they invest directly in securities overseas. The Fund invests in the Sterling share class of each of the pooled funds; therefore, it is not exposed to direct currency risk on these funds.

The global equity portfolio managed by Veritas does not hedge non-Sterling exposure. The currency exposure is spread broadly across a range of currencies, in line with what would be expected for a global equity manager.

The diversified growth portfolio managed by Ruffer is exposed to direct currency risk as Ruffer is able to take active currency decisions as a potential source of added value. The extent of currency risk varies over time depending on how Ruffer changes the underlying asset allocation to reflect its market views.

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

2.2 Interest rate risk

Interest rate risk and inflation risk is a significant risk for the Fund given that movements in interest rates and inflation are a significant 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.

The Fund is subject to interest rate risk because some of the Fund's assets are held in bonds, interest rate swaps and inflation rate swaps (either as segregated investments or through pooled vehicles) and cash. The Trustee has set a benchmark to hold an interest rate hedge up to 90% of liabilities and an inflation hedge up to 90% of liabilities as part of their LDI investment strategy.

The Fund holds an LDI mandate managed by Insight, which is directly exposed to interest rate risk. 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 a proportion of the Fund's liabilities.

The Contractual Income portfolio managed by Insight is subject to some direct interest rate risk as Insight holds bond like assets; however, this is largely mitigated due to Insight investing mainly in floating rate instruments.

The diversified growth portfolio managed by Ruffer is exposed to direct interest rate risk as Ruffer is able to hold bonds. The extent of interest rate risk varies over time depending on how Ruffer changes the underlying asset allocation to reflect its market views. The Trustee monitors Ruffer's performance and positioning on a quarterly basis.

The Fund is indirectly exposed to interest rate risk arising from the underlying bond investments held by the pooled funds. The Trustee monitors each pooled fund manager's performance and positioning on a quarterly basis.

2.3 Other price risk

The Trustee recognises that there are other price risks faced by the Fund and it takes these into consideration as far as practical in setting the Fund's investment strategy. The Trustee monitors other price risk on a quarterly basis by looking at the performance and positioning of the Fund as a whole as well as each individual portfolio.

The global equity portfolio managed by Veritas is exposed to the risk of equity markets falling. Veritas mitigates this risk to some extent by holding a diversified portfolio spread across a range of regions and sectors.

The diversified growth portfolio managed by Ruffer is exposed to a number of other price risks as Ruffer is able to invest across a range of assets, including equities and gold. Ruffer mitigates other price risk to some extent by holding a diversified portfolio spread across a range of regions and sectors. Ruffer looks to protect capital in falling markets.

The Fund is also indirectly exposed to other price risks arising from the underlying investments held by the pooled funds. Indirect other price risk is mitigated by investing across a range of different asset classes; and but only investing in funds which hold a diverse exposure to a range of different investments.

2.4 Transaction costs

Direct transaction costs include fees, commissions and stamp duty, and are applicable to the segregated assets held with Insight, Ruffer and Veritas. Transaction costs incurred during the year to 31 March 2019 are set out below:

	Fees £'000	Commissions £'000	Taxes £'000	**Total 2019 £'000**	Total 2018 £'000
Direct transaction costs					
Equities	24	22	-	**46**	35

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.

17 Concentration of investments

The following investments represent more than 5% of the Fund's net assets at 31 March 2019:

	2019 £'000	2018 £'000
Insight Secured Finance Direct Lending Fund	150,460	-
Insight UK (Govt) 3.75% Gilt 22/07/52	73,374	72,745
Insight UK (Govt) 3.5% Gilt SNR 22/01/45	53,080	51,890
Insight UK (Govt) 4.25% Gilt 07/12/46	45,683	22,788
Insight Liquid ABS Fund	44,123	-
Insight Global ABS Fund	44,033	-
Henderson Multi Asset Credit I Acc GBP Gross (Hedged)	31,927	31,558
Insight Liquidity Fund Liquidity Plus Class 2	27,247	-
Insight UK (Govt) 4.25% GTD Gilt 7/9/39	26,372	25,896
Insight Network Rail Infra IDX/LKD GTD 22/11/37	25,821	24,387

18 Tangible fixed assets

	Office equipment £'000	Office furniture £'000	Total £'000
Cost as 1 April 2018	18	8	26
Additions	4	-	4
Disposals	(4)	(1)	(5)
31 March 2019	18	7	25
Depreciation as 1 April 2018	16	7	23
Charge for the year	2	1	3
Disposals	(4)	(1)	(5)
31 March 2019	14	7	21
Net book value 31 March 2019	**4**	**-**	**4**
Net book value 31 March 2018	2	1	3

Depreciation on all assets is charged on a straight-line basis using the cost less the estimated residual value and a rate of depreciation of 25%.

19 Current assets

	Total 2019 £'000	Total 2018 £'000
Cash Balances	3,016	2,223
Sundry Debtors	108	75
Employer contributions receivable	45	48
Employee contributions receivable	7	8
Total current assets	**3,140**	2,354

Employer and employee contributions were received by the Fund on 4 April 2019.

20 Current liabilities

	Total 2019 £'000	Total 2018 £'000
Sundry Creditors	(41)	(1)
Investment fees due	(586)	(459)
PAYE	(273)	(289)
Actuarial fees & Investment consultancy fees	(48)	(67)
Other professional advisers' fees	(76)	(104)
Benefits payable	(69)	(108)
Total current liabilities	(1,093)	(1,028)

21 Employer related investments

At the year end the Fund held direct employer-related investments within the meaning of Section 40[2] of the Pensions Act 1995 but which represent less than 1% of the net assets of the Fund. The nature of investments within pooled funds means that there could be some indirect investments in employer related investments, although there are likely to be minimal.

22 Related party transactions

Directors' fees were paid during the year to the Independent Chairman, second Independent Director, an Employer Director who is no longer an employee of the principal sponsor, and to a Members' Director. One Director was an active member of the Fund and one Director was a pensioner member who receives benefits in accordance with the Fund Rules and on the same terms as are normally granted to members in the same Scheme. The amount of Director fees is presented in note 7.

23 Capital commitments

	Total 2019 £'000	Total 2018 £'000
BlueBay Direct Lending Fund III	(45,000)	-

The Fund has capital commitments in respect of the BlueBay Direct Lending Fund III which is to be funded over the next two years following the execution of the Investment Manager Agreement on 8 February 2019. Capital Calls are expected to be issued and the Fund will meet these Capital Calls when requested.

24 Events after the reporting period

On 1 May 2019, the Fund withdrew £7,147,900 from the Ruffer portfolio in order to meet the Capital Call received from BlueBay, dated 24 April 2019. These funds were reinvested on the 9 May 2019 representing the initial investment into the BlueBay Direct Lending Fund III. A further £2,317,249 was invested into the BlueBay fund on 18 July 2019 following receipt of the second Capital Call dated 5 July 2019. Further Capital Calls are expected over the next two years before the BlueBay portfolio is fully funded.

Summary of Contributions

During the year ended 31 March 2019, the contributions payable to the Fund under the Schedules of Contributions were as follows:

	£'000
Employer normal contributions	613
Employer deficit contributions	1,230
Employee normal contributions	89
Other contributions	8
Total contributions payable under the Schedules of Contributions	
Employee additional voluntary contributions	2
Total contributions as per note 3 of the Financial Statements	1,942

E S Stobart
Chairman

Signed on behalf of the Trustee   Date: 18 July 2019

Independent Auditor's Statement about Contributions to the Trustee of the Lloyd's Superannuation Fund

We have examined the summary of contributions to the Lloyd's Superannuation Fund for the Fund year ended 31 March 2019 to which this statement is attached.

In our opinion contributions for the Fund year ended 31 March 2019 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 28 June 2017.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employers in accordance with the Schedules of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedules 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 regulation 4 of the Occupational Pension Schemes (Requirement 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 Fund's Trustee those matters we are required to state to it 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's Trustee as a body, for our work, for this statement, or the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Reading
Date: 18 July 2019

Actuarial Certificate

The effective date of the most recent actuarial valuation was 31 March 2016. As well as completing the actuarial report, the Scheme Actuary has to certify the contributions proposed in the Schedule of Contributions a copy of the relevant certificate provided by the Scheme Actuary is reproduced below.

Actuarial certification for the purposes of regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

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 2016, to be met by the end of the period specified in the recovery plan dated 22nd June 2017.

I also certify that the rates of contributions shown in this schedule 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 22nd June 2017.

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

Signed by:	Danny Wilding	Date:	23rd June 2017
Qualification:	Fellow of the Institute and Faculty of Actuaries		
Address:	Barnett Waddingham LLP Cheapside House 138 Cheapside London EC2V 6BW	Employer:	Barnett Waddingham LLP

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2016. This showed that on that date:

The value of the Technical Provisions was:	£484.6 million
The value of the assets was:	£463.5 million

Therefore, the Fund had a funding deficit of £21.1 million corresponding to a funding level of 96%.

In addition, there are nine members whose liabilities are secured under a buy-in policy following one of the participating employers, Equity Insurance Management Limited ("EIML"), ceasing to participate in the Fund. The members' liabilities are included in the asset and liability figures shown above.

In setting assumptions for calculating the Technical Provisions and in preparing the recovery plan as part of the 2016 valuation, the Trustee took into account only the covenant of MS Amlin Corporate Services Limited ("MS Amlin"). The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Funding method:

The funding method adopted for the 2016 actuarial valuation is the Projected Unit Credit Method. Under this method, the expected cost of ongoing benefit accrual for members of the defined benefit section is based on the amount expected to be required to provide the benefits arising from service completed in the seven years following the effective date of the actuarial valuation (or the expected remaining future working lifetime in the case of the LSF employees) and based on members' projected Scheme Salaries (or in the case of Mumford scheme members, Current Pensionable Salaries) at their expected dates of leaving. An addition is made to this to reflect the expected cost of insuring the lump sum benefits payable on death and the expected cost of the enhancement of other benefits based on all, or a proportion of, prospective service to Normal Pension Age which are expected to come into payment during that year (i.e. dependants' death in service pensions). The resulting costs are expressed as a proportion of members' projected Scheme Salaries (or in the case of Mumford scheme members, Current Pensionable Salaries).

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

Allowance is included in the technical provisions for the projected expenses of administration and management at 3% of the Fund liabilities including any annuitants. The level of allowance will be reviewed by the Trustee at future valuations.

The principal assumptions which were used in the calculation of the technical provisions are set out on the next page.

Assumptions as at 31 March 2016

The significant actuarial assumptions used to calculate the technical provisions as at 31 March 2016 are set out in the table below, which is taken from the Statement of Funding Principles dated 22 June 2017:

	Technical Provisions
<u>Pensioners and members over Normal Pension Age ("NPA") at valuation date</u>	
Post-retirement discount rate	Expected return on overall Fund asset portfolio in each future year. Based on 50% growth and 50% protection until 2022, tapering to a fully protection portfolio by 2032. **Growth return:** gilts + 2.3%pa **Protection return:** gilts + 0.5% pa
Price inflation (RPI)	Gilt-implied inflation consistent with data published by the Bank of England and Debt Management Office
<u>Non-pensioner members under NPA at valuation date</u>	
Pre-retirement discount rate	Expected return on overall Fund asset portfolio in each future year. Based on 50% growth and 50% protection until 2022, tapering to a fully protection portfolio by 2032. **Growth return:** gilts + 2.3%pa **Protection return:** gilts + 0.5% pa
Post-retirement discount rate	Same as Pre-retirement discount rate
Price inflation (RPI)	Gilt-implied inflation consistent with data published by the Bank of England and Debt Management Office

Price inflation (CPI)	In line with RPI assumption less 1% pa
Salary increases	MS Amlin: nil LSF: 2.40% pa
Male mortality table	**Members with pensions under £19,000 p.a.:** 95% of S2PMA **Members with pensions** **Members with pensions over £19,000 p.a.:** 87% of S2PMA_Light
Female mortality table	**Members with pensions under £19,000 p.a.:** 93% of S2PFA Members with pensions **Members with pensions over £19,000 p.a.:** 87% of S2PFA_Light
Allowance for improvements in male and female life expectancy	CMI 2015 projection with long term rate of improvement of 1.5% p.a.
Age difference between husbands and wives	Based on actual Fund data. For actives and where data is not held, husbands assumed to be 3 years older than wives.
Proportion married	**Actives:** 80% of members married at valuation date **Other members:** based on actual Fund data with assumption for 10% of members to be married at date of leaving where records have not been recently updated
Allowance for withdrawals	None
Allowance for cash commutation	17.5% of pension commuted on best estimate terms
Allowance for transfers out	10% of members opt to transfer out at retirement on best estimate terms
Expense reserve	3% of Fund liabilities including any annuitants
Other ongoing expenses	No allowance for PPF levies within Technical Provisions
Allowance for investment expenses	Return taken net of fees

These assumptions have been chosen by the Trustee in light of their long-term investment objectives and the Scheme's liability profile based on advice from the Scheme Actuary, along with their views on the strength of the Employer covenant.