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

For the year ending 31 March 2020

Pension Schemes Registry Number: 100798329

Contents

From the Chairman

In last year's report, I commented on the year being a turbulent one, with volatility in investment markets and the impact of the United Kingdom withdrawing from the European Union causing challenges for pension funds and businesses alike. The release of the 2020 Annual Report and Financial Statements comes at a time when the world is recovering from the Coronavirus ("COVID-19") pandemic, and arguably one of the greatest challenges to the world's economy for many decades.

Firstly, to all those that have been affected by COVID-19, I send you my deepest sympathies.

Despite the concerns and uncertainties at this time, the Fund continues to undertake its key role and responsibility to service its members. The operational impact of the lockdown has been handled most proficiently by the executive team led by Robert Clark, who have continued to meet the needs of members on a timely and efficient basis. On behalf of my fellow Trustee Directors, I would like to thank them for all that they have done to maintain a business as usual service to members. I would also ask members to consider the challenging circumstances that they are working under when contacting them and if possible, make use the facilities available on the website.

As referred to in note 24 on page 31 in the financial statements, there has been significant volatility in financial markets due to the expected uncertain economic fallout from the COVID-19 pandemic. The Fund's investment portfolio incorporates assets that move broadly in line with the liabilities and have thus ensured that the funding position has been relatively stable despite fluctuating market conditions.

The return on the overall investment portfolio during the year has been 10.1% (2019: 5.0%), impacted by the downturn in the economy towards the end of the Fund year. The return of the individual managers is shown on page 10.

Over the year, the Trustee has been undertaking the triennial valuation of the Fund as at 31 March 2019 as required by legislation. This has now been agreed with the sponsoring employer, MS Amlin, and has shown a deficit of £33.9m. MS Amlin has agreed a deficit recovery plan to address this deficit through a series of deficit recovery contributions up to 31 March 2026. The appropriate actuarial certificates can be found on pages 34 to 37 and copies of the valuation report and supporting documents can be found at www.lsf.org.uk/your-pensions/documents.

For those not already registered, may I remind you of the benefit of signing up for the Pensions Portal at www.lsf.org.uk. Deferred members may obtain indicative retirement and transfer quotations, and pensioners and dependants may access their pension payslip online, as well as update their bank details. All members may also update their personal details, including address, marital status, and dependant's details, and where necessary, their expression of wishes details in the event that a death lump sum becomes payable.

Towards the end of the scheme year, Scot Charley, who had been a Member Nominated Director for 6 years, resigned as a director. I would like to thank Scot for his support and contribution to the Trustee Board. Scot's resignation means that there is a vacancy for a second Member Nominated Director, and we will be writing out to members in the coming weeks to seek nominations.

I would like to reiterate my thanks to Bob Clark and his small team for the service that has been provided to members and to the Board over the past year.

Eric Stobart
Chairman
July 2020

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) Scot Alexander Charley (Members' Director) (MS Amlin Corporate Services Ltd) (to 23 March 2020) Michael Anthony Hampton (Independent Director) Robert Werner Mankiewitz (Members' Director) 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)
Independent Auditors	Ernst & Young LLP
Legal Advisers	Sacker & Partners LLP
Investment Consultants	Lane Clark & Peacock LLP
Investment Managers	Arcmont Asset Management Limited (from 5 November 2019 following demerger of BlueBay Asset Management LLP's private debt business) Insight Investment Management Limited Janus Henderson Global Investors Limited LaSalle Investment Management Ruffer LLP Veritas Asset Management (UK) Limited
Custodian	Northern Trust Global Services SE
AVC Provider	Scottish Equitable plc (part of Aegon NV)
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 2020. 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, Mr Scot Charley resigned from his position as a Member's Director. Nominations for a successor will be sought from the membership during the coming year.

At the March Trustee Board meeting, both Independent Directors, Mr Eric Stobart and Mr Michael Hampton, had their terms of office extended for two and four years respectively following completion of their four-year tenure at 31 March 2020.

Trustee governance

The Board is supported by 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 the Fund's 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 (6)	8 (8)
P Amer	5 (6)	4 (4)
S A Charley	6 (6)	-
M A Hampton	6 (6)	11 (12)
R W Mankiewitz*	6 (6)	4 (4)
C C T Pender (Deputy Chairman)	6 (6)	8 (8)

*In addition to the above, Mr Stobart attended a further three Governance meetings and Mr Mankiewitz attended a further four Investment & Funding Working Group meetings as a guest

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 utilise a register of potential risks. Having identified the risks, the Board has considered the potential 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 sometimes identified as the Risk Owner, the monitoring of risks may be undertaken by the Governance Committee and the two Working Groups. The Board and relevant committee and working groups review the Risk Register regularly to keep the analysis or risk up to date, to ensure that the internal controls remain adequate and to identify any additional risks.

Membership and benefits

At 31 March 2020 there were 2,373 members in the Fund, a net decrease over the previous year of 57.

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 2020 and in each of the four previous years.

Membership movement during the year ended 31 March 2020

	Active members	Deferred members	Pensioners	Dependants	Contingent Widows	Total
At the start of the year	29	1,080	1,097	224	-	**2,430**
Retirements	(1)	(54)	55	-	-	**-**
Deaths	-	(1)	(40)	(13)	-	**(54)**
Dependants	-	-	-	21	-	**21**
Contingent Widows	-	-	-	-	1	**1**
Leavers	(5)	5	-	-	-	**-**
Members transferred out	-	(13)	(1)	(1)	-	**(15)**
Adjustment*	-	(10)	-	-	-	**(10)**
At the end of the year	23	1,007	1,111	231	1	**2,373**

*Following a thorough review of the membership records, ten records were closed off during the year where duplicate records were found to have incorrectly existed.

Included with Deferred members are 5 members (2019: 5) whose benefits are held with an annuity policy held in the name of the Trustee, whilst with Pensioners are 3 (2019: 3) pensioners whose pensions are paid via the same annuity policy.

Membership 2016-2019

	Active members	Deferred members	Pensioners	Dependants	Total
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
2019	29	1,080	1,097	224	2,430

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.

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.

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.

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 2019. The results are set out in the table below comparing against the previous valuation at 31 March 2016.

	31 March 2019	31 March 2016
Assets	£486.9m	£463.6m
Amount needed to provide benefits	£520.7m	£484.6m
Deficit	(£33.9m)	(£21.1m)
Funding level	93%	96%

The Schedule of Contributions was updated with effect from 1 July 2020 in which MS Amlin agreed to continue paying deficit contributions of £1.23m each year until 31 March 2023 (from the previous recovery plan) along with further deficit contributions of £3.71m each year until 31 March 2026. 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 next triennial valuation of the Fund will be performed as at 31 March 2022.

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. A copy can also be found via www.lsf.org.uk/your-pension/documents along with an updated Statement of Financial Position and Statement of Investment Principles.

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 2020 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 £240,000 have a lower standard Annual Allowance for the tax years 2020/2021 onwards. For every £2 of adjusted income over £240,000, an individual's standard Annual Allowance is reduced by £1. The maximum reduction to the standard Annual Allowance will be £36,000, so that anyone with adjusted income of or above £312,000 has a standard Annual Allowance of £4,000. The threshold for adjusted income for the tax year 2020/21 is significantly higher than the threshold for the previous tax years (which was £150,000) meaning that fewer people will be affected by the lower standard Annual Allowance. However, the maximum reduction of £36,000 to the standard Annual Allowance is greater than for previous tax years.

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 2020 Budget that from 6 April 2020, the Lifetime Allowance would be increased from £1,055,000 to £1,073,100. 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

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 and his firm. The legislation on data protection places strict requirements on how the Trustee does this. A copy of the Trustee's privacy notice, which is updated from time to time, 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. 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 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, although the Trustee has already been able to take steps to equalise benefits for certain categories of members who are eligible to take full commutation of all of their LSF benefits on the basis of those benefits being very small or due to the member being in serious ill-health. The Trustee is currently considering and taking advice as to how to proceed with this complicated area for other members.

The Rules of the Fund

The Rules of the Fund were amended in July 2019 to clarify that members' expressions of wishes for death benefits can be notified to the Trustee in any form which the Trustee specifies, including in electronic form. Members can now update their expressions of wishes on the Fund's website either via the Pensions Portal or by downloading the Expression of Wishes form from the documents section and emailing it to the Fund at admin@lsf.org.uk.

Sacker & Partners LLP
April 2020

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 2020.

Economic overview

Modestly weaker global growth had been in evidence for much of the first 9 months of the year to 31 March 2020, driven by trade tensions (most notably between the US and China), geopolitical concerns, and weak manufacturing activity. That changed, much for the worse, in the final three months, as a lethal coronavirus (COVID-19, first spotted in Wuhan, China) quickly spread across the globe. In an attempt to contain the virus and protect healthcare systems, many countries imposed strict quarantine measures. With flights grounded, borders closed, and factories shut, both supply and demand collapsed across multiple industries and sectors, with both deep and likely long-lasting consequences for the global economy. The IMF's view is that 2020 will see the most severe downturn since the Great Depression, far worse than that of the Global Financial Crisis of 2009.

In response to the rapidly escalating crisis, major central banks, including the US Federal Reserve and the ECB, reverted to an extremely accommodative monetary stance, reducing interest rates and restarting, or expanding, Quantitative Easing programmes in attempt to cushion the effects of the pandemic. Governments also unleashed unprecedented stimulus packages, totalling around $8tn worldwide.

In the UK, the Bank of England also eased monetary policy, cutting rates twice during March 2020, to leave the base rate at 0.1%, its lowest level in history, while also offering unlimited short-term financing for large companies. On the fiscal side, Chancellor Rishi Sunak announced several measures, including paying 80% of wages for furloughed employees, offering tax and business rate holidays, as well as making available £330bn in business loan guarantees.

Whilst Prime Minister Boris Johnson's decisive December general election Conservative victory appeared to cut the risk of a No-Deal Brexit outcome, the coronavirus outbreak pushed EU-UK trade negotiations off centre stage. The UK's transition period out of the EU is due to end currently on 31 December 2020, subject to an extension to 2022, if both requested and granted.

Performance of the Fund's assets

Over the twelve-month period to 31 March 2020, the Fund returned +10.1% (after fees). Overleaf, we outline the market commentary for the main asset classes in which the Fund's portfolios are invested.

Bonds performance

The early part of the year proved positive for bonds, given the Bank of England's decision to maintain the base rate at 0.75% on the back of Brexit-induced uncertainty. This, coupled with falling global growth expectations and continued high demand from risk-averse investors for safe haven assets, caused both nominal and inflation-linked gilt yields to fall and consequently prices to rise. Yields did though rise in November and December, reflecting improved investor confidence in the outlook for the UK as well as an expectation of broader economic benefits on the back of the slight easing of global trade tensions.

Sterling corporate bonds also performed strongly overall during this 9-month period, aided by the fall in both government bond yields and in investment grade credit spreads[1].

However, as the coronavirus took hold in the UK in early 2020, the outlook changed dramatically. In response to the developing economic crisis, the Bank of England cut rates twice in March, leaving the base rate at 0.1%, pledged unlimited short-term financing for large companies and expanded its Quantitative Easing programme by an additional £200bn in purchases of gilts and corporate bonds. These measures, coupled with an understandable increased appetite for defensive assets, saw sovereign bond yields fall sharply over the three months to March-end, although they did spike up very briefly in mid-March as cash-hungry investors panic-sold any liquid assets to hand.

Over the 12 months to 31 March 2020, the Fund's Liability Driven Investment ("LDI") portfolio managed by Insight returned +11.7% (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.

Given their inherent default risk, corporate bonds did less well in these economically stressed conditions, with riskier credit bonds falling most of all. The Fund has significant credit exposure through its segregated contractual income portfolio with Insight, as well as its private credit mandate with Arcmont Asset Management Limited ("Arcmont")[2] and pooled multi-asset credit fund with Janus Henderson. Given the falls witnessed in credit markets towards the end of the year, this resulted in the portfolios producing negative returns over the 12 months of -3.3% (Insight) and -8.7% (Janus Henderson).

Equity performance

The Fund's global equity portfolio, managed by Veritas, returned -3.1% (after fees) over the twelve months to 31 March 2020.

Developed market equities performed strongly over the first 9 months, reflecting investors' response to relatively easy monetary conditions and reduced concerns regarding US – China trade tensions. However, that all changed in the last quarter. With many countries putting large parts of their economic infrastructure into "deep freeze" in an attempt to slow the virus' spread, developed market equities posted one of their worst ever quarters.

During the year, the US stock market passed a significant milestone as it marked the country's longest ever equity market rise, with key indices such as the S&P 500 and Dow Jones posting record highs. The reversal was brutal and sharp; both indices posted their worst ever three months to March, dropping by 20% and 23% respectively.

Other regional equity markets also performed strongly during the first three quarters, with Eurozone equities the best of the rest, buoyed by renewed European Central Bank stimulus. As the pandemic's epicentre shifted quickly in early 2020 from China to countries such as Italy, Spain and France, the performance of those markets mirrored that of the US.

While somewhat behind their US and European counterparts, UK equities enjoyed a strong first 9 months. This performance clearly rested in part on the arguably market-friendly result of December's general election, which was seem by investors, at least at the time, as reducing the risk of a No-Deal Brexit. UK equities were among the hardest hit in the three months to March with the FTSE 100 posting its worst quarterly performance since 1987.

The Pound fell against most major currencies over the year, including the Euro, the US Dollar and Japanese Yen. Its fall was sharpest against the latter two, which both benefitted from perceived safe haven status in the final

[1] The credit spread is the additional return demanded by investors to hold a given bond compared with an equivalent risk-free government bond.

[2] Note that the Fund invested in Arcmont on 10 May 2019, therefore 12-month returns are currently unavailable.

three months of the period. Depending upon the market in question, Sterling's weakness added anything between c2% and c6% to unhedged returns. Thus, the decision not to hedge currency exposure for the Fund's overseas equity holdings was positive over the year.

Alternatives performance

Over the twelve months to 31 March 2020, the Fund's segregated diversified growth portfolio managed by Ruffer delivered positive returns of 4.9% (after fees). Ruffer managed to navigate volatile markets well, participating in some of the high equity gains in the last three quarters of 2019 and benefitting from its use of protection strategies (e.g. options) in Q1 2020, which helped protect the portfolio from wider market falls caused by the COVID-19 outbreak.

The Fund's property portfolio managed by LaSalle delivered a negative return of -9.8% (after fees). This portfolio is currently in wind-down and LaSalle has already disposed of most of the assets. Much of the remainder of the portfolio is exposed to underperforming sectors (e.g. retail), where LaSalle is implementing a managed exit rather than looking to sell assets as quickly as possible at potentially unattractive pricing. In terms of the wider market, UK property posted modest gains, with rental income offsetting the falls in capital values seen in some sectors. The dispersion of performance across sectors was high. While retail struggled, with shopping centre and high street valuations falling, industrial property strengthened further. Investor and occupier demand for assets supporting logistics or click-and-connect storage remained high.

With the final quarter onset of the coronavirus outbreak, the number of transactions fell sharply, with many independent valuers unable to physically carry out due diligence property reviews given the social distancing measures enforced by government. Several funds suspended trading temporarily as, with no material investment activity, valuers were unable to provide reliable valuations. Property managers expect funds to remain suspended until the market returns to normal. Leasing activity slowed dramatically, with tenants reluctant to commit to new lease terms given the huge level of economic uncertainty. Retail and leisure businesses were particularly impacted, and many requested help from landlords, via temporary relaxations of rental obligations.

Strategic changes

Over the twelve-month period to 31 March 2020, the Trustee has not undertaken any new strategic changes to the Fund's investment portfolio.

Over the year, the Trustee initiated its investment in a Private Credit portfolio with Arcmont, which was agreed upon as part of the restructuring last year. This 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 repurchase agreements ("repos"). The funding of the Arcmont portfolio will be completed via a series of instalments that begun in May 2019 with further drawdowns expected over the next 1-2 years. As at 31 March 2020 the portfolio was around 35% funded.

Post 31 March 2020

Since 31 March 2020 to 15 June, there has been a considerable recovery in markets.

Global equities have performed positively, resulting in positive returns for the Veritas Global Equity fund, with markets having been boosted by the large amount of monetary and fiscal support pledged by authorities in order to try and combat the pandemic.

The US equity market has been the stand-out performer, benefitting from its relatively high allocation to technology companies (which have been less impacted by COVID-19 than other sectors) with the tech-heavy Nasdaq index having reached a new all-time high in early June. UK equities have also performed positively, although returns have been more muted, with the UK's decision not to extend the EU transition period having received badly by UK equity markets.

Both nominal and real yields have continued to fall since quarter end, with real yields falling by more than nominal yields due to the rise in inflation expectations. This has led to positive returns for the Fund's LDI portfolio held with Insight.

Credit spreads have narrowed since quarter end, which combined with the fall in yields, has led to positive returns for corporate bond assets. This improvement will benefit the credit exposed assets held by the Fund through the segregated contractual income portfolio with Insight, the private credit mandate with Arcmont and pooled multi-asset credit fund with Janus Henderson.

Lane Clark & Peacock LLP
May 2020

Investment review

Investment performance

The returns (after fees) of the Fund's investment portfolios during the year to 31 March 2020 are shown in the table below. The figures have been calculated by LCP using information provided by the investment managers.

Investment Manager	Asset allocation as at March 2020 %	Actual Net Performance %	Benchmark %	Out (under) performance %
Veritas *(Global Equity)*	8.5	(3.1)	(6.2)	3.1
Ruffer *(Diversified Growth)*	5.1	4.9	0.8	4.1
LaSalle *(Property)*	1.1	(9.8)	6.3	(16.1)
Janus Henderson *(Multi-asset Credit)*	5.7	(8.7)	0.8	(9.5)
Arcmont *(Private Credit)*[3]	2.9	2.4	7.3	(4.9)
Insight *(Contractual Income)*	29.3	(3.3)	0.8	(4.1)
Insight *(LDI)*	47.4	11.7	11.5	0.2
Total Fund (excluding AVC's and Annuities)	**100.0**	**10.1**	**12.0**	**(1.9)**

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 %
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
2019/20	10.1	12.0	(1.9)
Annualised Returns	**Actual Net Performance %**	**Benchmark %**	**Out (under) performance %**
3-year return	5.2	5.5	(0.3)
5-year return	6.5	6.4	0.1

[3] Arcmont performance is shown for the part-year since inception on 10 May 2019 to 31 March 2020. Performance has been estimated by LCP using a Partial Valuation Statement provided by Arcmont as at 31 March 2020.

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 16 to 31 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 (2019: £1.23m) in accordance with the Fund recovery plan agreed with the employers following the valuation at 31 March 2019. The current recovery plan stipulates that deficit funding contributions will continue to be paid until 31 March 2026 at which time the 2019 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 £27.1m while the net returns on investments increased to £44.1m (comprised largely of a change in market value of investments of £40.0m). As a result, the net assets of the Fund increased to £503.9m at 31 March 2020. Further detail can be found on page 16.

As part of the investment restructuring, the Fund met capital commitment notices received from Arcmont (formerly known as BlueBay prior to the demerger of their private debt business) following the execution of the Investment Manager Agreement dated 8 February 2019. As at 31 March 2020, the Fund has an outstanding capital commitment of £30.8m from an original commitment of £45.0m. Further capital call notices are expected over the next 12 months which the Fund will meet. Further detail can be found in note 23 on page 31.

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 £1.4m from sales (2019: £8.3m), with an expected completion for redemption being December 2023.

Asset allocation for the Fund for the years ending 31 March 2016-2020

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Equities	60.7	62.6	58.2	61.0	46.1
Bonds	273.2	263.2	346.8	387.9	399.8
Pooled investment vehicles	197.2	234.2	171.2	282.9	285.9
Derivatives	(29.6)	(26.9)	(22.2)	(11.9)	23.2
Annuity policies	8.1	9.0	7.9	7.8	7.0
AVC investments	0.6	0.5	0.4	0.4	0.2
Other investments[4]	3.6	3.0	2.4	27.2	2.0
Cash deposits	11.5	31.6	10.8	13.2	3.6
Other investment balances[5]	(63.5)	(67.6)	(91.9)	(283.7)	(266.1)
Total	**461.8**	**509.6**	**483.6**	**484.8**	**501.7**

[4] Other investments comprise of a Liquidity Fund held with Insight

[5] Other investment balances comprise of accrued income, outstanding settlements and repurchase agreements

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 use Aegon as the brand name for 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.

Currently, all units held within the Plan are within the Share Class J, however, members are free to select their own strategy from the range of Funds, Share Classes and Asset Classes on offer from Aegon.

Investment performance

In the year ended 31 March 2020 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	(9.46)	(12.66)	(4.78)	8.45	0.63
Benchmark	(14.77)	(18.45)	(4.87)	8.27	0.54
5yr return	4.60	3.28	7.89	5.25	0.42
Benchmark	2.37	0.57	7.75	5.09	0.36

Aegon's performance is reported net of fees. Further information about the funds available, factsheets and current prices can be found at: https://digital.feprecisionplus.com/AegonDC.

Business Continuity arrangements considering COVID-19

The Trustee continues to monitor the operational impact of the developments and has no significant concerns regarding the Fund's ongoing ability to fulfil its operational, cashflow or benefit payment requirements. The Fund's ability to operate remotely has meant that it has continued to pay every pensioner their pension and to set up members benefits as required.

The Fund's suppliers have in place arrangements to provide working from home facilities for their staff and have confirmed to the Trustee, that, at this time, they do not see that this will impact normal service. In the event of the virus having an impact on our suppliers then the Trustee has in place contingency plans which will ensure that priority is given to the paying of pensions, settlement of retirement benefits and the management of the Fund's financial requirements. Should these priorities themselves be impacted then the Trustee will inform the Pension Regulator at the earliest opportunity.

On 23 April 2020, the Fund's website, hosted by a third-party, was subject to a "NetWalker" ransomware cyber-attack resulting in an outage for five days meaning members were unable to access the Pensions Portal. This attack was limited to servers at the third-party's data centre with no personal information accessed or compromised, nor contagion to any other areas of the business. Both the third-party and the Fund's robust controls stood up to this attack, resulting in a thorough cleansing of the webservers and recovery of the website. Both the third-party and the Fund continue to ensure that sufficient security measures and controls are in place to limit and mitigate the risk of future cyber-attacks.

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 2.

Further information

Enquiries about the Fund should be addressed to the Pensions Manager at the address on page 2. 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 2020 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 2020, 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 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 13, 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: 17 July 2020

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 2020

	Note	Total 2020 £'000	Total 2019 £'000
Contributions and benefits			
Employer Contributions		1,795	1,851
Employee Contributions		81	91
Total contributions	3	1,876	1,942
Benefits paid or payable	4	(18,652)	(17,980)
Payments to leavers	5	(8,237)	(9,094)
Other payments	6	(22)	(26)
Administrative expenses	7	(2,049)	(1,541)
		(28,960)	(28,641)
Net withdrawals from dealings with members		(27,084)	(26,699)
Returns on investments			
Investment income	8	6,186	8,160
Taxation	8	(14)	(70)
Change in market value	9	40,013	21,712
Investment management expenses	10	(2,039)	(1,209)
Net returns on investments		44,146	28,593
Net increase in Fund during the year		17,062	1,894
Net assets of the Fund at start of year		486,867	484,973
Net assets of the Fund at end of year		503,929	486,867

The notes on pages 18 to 31 form part of these Financial Statements.

Statement of Net assets
available for benefits as at 31 March 2020

	Note	Total 2020 £'000	Total 2019 £'000
Investment assets	9		
Equities		**46,069**	60,958
Bonds		**399,718**	387,865
Pooled investment vehicles	11	**285,944**	282,935
Derivatives	13	**213,515**	133,855
Annuity policies		**7,023**	7,745
Other investments		**2,074**	27,247
AVC investments	14	**250**	425
Cash deposits		**3,583**	13,188
Other investment balances	12	**1,602**	18,462
		959,778	932,680
Investment liabilities			
Derivatives	13	**(190,308)**	(145,774)
Other investment balances	12	**(267,747)**	(302,126)
		(458,055)	(447,900)
Total net investments		**501,723**	484,780
Fixed assets	18	**17**	4
Current assets	19	**3,398**	3,176
Current liabilities	20	**(1,209)**	(1,093)
		2,206	2,087
Net assets of the Fund at 31 March		**503,929**	486,867

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 35 to 37 of the annual report and these Financial Statements should be read in conjunction with it.

Approved on behalf of the Directors on 16 July 2020

Signed on behalf of LSF Pensions Management Ltd on 16 July 2020

E S Stobart
Chairman

M A Hampton
Director

Notes to the Financial Statements
for the year ended 31 March 2020

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").

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 2020 £'000	Total 2019 £'000
Employer Contributions		
Normal	**544**	613
Deficit funding	**1,230**	1,230
Augmentation	**12**	-
Other contributions	**9**	8
	1,795	1,851
Employee Contributions		
Normal	**81**	89
AVCs	**-**	2
	81	91
Total contributions	**1,876**	1,942

Deficit funding contributions of £1,230,000 per annum were paid by MS Amlin to the Fund in accordance with the recovery plan dated 1 July 2020 in order to improve the Fund's funding position. From 31 March 2021, the deficit contributions will increase to £4,940,000 for three years to 31 March 2023, then fall to £3,710,000 from 31 March 2024 until 31 March 2026.

4 Benefits paid or payable

	Total 2020 £'000	Total 2019 £'000
Pensions	**(15,554)**	(15,441)
Commutations of pensions and lump sum retirement benefits	**(2,753)**	(2,422)
Lump sum death benefits	**(117)**	(36)
Taxation where lifetime or annual allowance exceeded	**(228)**	(81)
Total benefits paid or payable	**(18,652)**	(17,980)

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 4 trivial commutations (2019: 61) totalling £45,312 (2019: £451,318).

GMP Equalisation

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

5 Payments to and on account of leavers

	Total 2020 £'000	Total 2019 £'000
Individual transfers to other Schemes	**(8,237)**	(9,094)

6 Other payments

	Total 2020 £'000	Total 2019 £'000
Life assurance premiums	**(22)**	(26)

7 Administrative expenses

	Total 2020 £'000	Total 2019 £'000
Actuarial fees	**(387)**	(320)
Administration and other expenses	**(761)**	(637)
Audit fees	**(40)**	(40)
Directors' fees and Professional indemnity insurance	**(169)**	(166)
Independent covenant review	**(216)**	(11)
Investment consultancy fees	**(178)**	(290)
Legal fees	**(257)**	(141)
Other professional fees	**(48)**	(5)
Regulatory levies	**(20)**	(19)
VAT recovered	**27**	88
Total administrative expenses	**(2,049)**	(1,541)

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. The reduction in VAT recovered has arisen from a backdated Annual Adjustment (going back four years) resulting in a reduced claim for FY20.

Significant increases on Independent Covenant Review and Legal Fees against 2019 has arisen from additional work required to be undertaken as part of the Fund's triennial valuation.

An increase on Administration and other expenses against 2019 is as a result of increased expenditure developing and enhancing the Fund's website and in-house administration systems as well as increases in staff costs.

8 Investment income

	Total 2020 £'000	Total 2019 £'000
Dividends from equities	**951**	995
Income from bonds	**7,839**	7,770
Income from pooled investment vehicles	**1,417**	1,405
Net expense from derivative contracts	**(975)**	(1,164)
Repo interest expense	**(2,439)**	(1,127)
Annuity income	**129**	129
Interest on liquid assets and deposits	**(750)**	82
Total investment income	**6,172**	8,090

Dividends from equities include irrecoverable tax of £14,176 (2019: £69,527).

Income from pooled investment vehicles includes indirect property expenses of £23,153 (2019: £54,667).

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

Negative interest on liquid assets and deposits has arisen as a result of incorrect postings in 2016/17 relating to the movement on the Aviva (now LaSalle) Cash Collateral account. Income was incorrectly recognised in 2016/17 overstating the cash position on the Aviva account.

9 Reconciliation of net investments

	Market Value at 01/04/2019 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in Market Value £'000	**Market Value at 31/03/2020 £'000**
Equities	60,958	23,977	(36,228)	(2,638)	**46,069**
Bonds	387,865	209,520	(230,081)	32,414	**399,718**
Pooled investment vehicles	282,935	18,091	(5,341)	(9,741)	**285,944**
Derivatives	(11,919)	20,141	(5,745)	20,730	**23,207**
Annuity policies	7,745	-	-	(722)	**7,023**
AVC investments	425	33	(178)	(30)	**250**
Other investments	27,247	89,111	(114,284)	-	**2,074**
	755,256	360,873	(391,857)	40,013	**764,285**
Cash deposits	13,188				**3,583**
Other investment balances	(283,664)				**(266,145)**
Total investments	484,780				**501,723**

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 29.

10 Investment management expenses

	Total 2020 £'000	Total 2019 £'000
Administration, management and custody	**(2,039)**	(1,209)

VAT recovered in 2020 on Investment management expenses amounted to £93,096 (2019: £60,256). An increase in expenditure has arisen as a result of the restructure of the Fund's investment portfolio. 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 2020 £'000	Total 2019 £'000
Managed global credit bonds	**28,330**	31,928
Managed corporate bonds	**84,381**	88,156
Other managed funds	**9,709**	5,156
Indirect property	**4,209**	7,235
Private credit	**14,232**	-
Contractual income	**145,083**	150,460
Total pooled investment vehicles	**285,944**	282,935

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 2020 £'000	Total 2019 £'000
Bonds	**140,048**	84,307
Derivatives	**(834)**	23
Other investments	**5,898**	72,327
Cash deposits	**2,537**	98
Other investment balances	**(2,566)**	(6,295)
Total contractual income	**145,083**	150,460

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

12 Other investment balances

	Total 2020 £'000	Total 2019 £'000
Accrued income	**1,602**	1,616
Outstanding settlements	**-**	16,846
	1,602	18,462
Outstanding settlements	**-**	(40,455)
Repurchase agreements	**(267,747)**	(261,671)
	(267,747)	(302,126)
Total other investment balances	**(266,145)**	(283,664)

The Fund held collateral of £5,979,729 (2019: £15,204,249) consisting of cash and pledged collateral of £269,719,016 (2019: £258,641,497) constituted of bonds in respect to the Repurchase agreements as at 31 March 2020.

13 Derivative contracts

	2020			2019		
	Assets	**Liabilities**	**Total £'000**	Assets	Liabilities	Total £'000
Over-the-counter contracts						
Swaps	**213,515**	**(189,716)**	**23,799**	133,700	(145,718)	(12,018)
Forward foreign exchange	**-**	**(592)**	**(592)**	154	(55)	99
Total derivative contracts	**213,515**	**(190,308)**	**23,207**	133,854	(145,773)	(11,919)

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 LDI 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. The Fund's managers hedge most of the Fund's non-Sterling exposure using forward foreign exchange contracts. Veritas does not hedge any non-Sterling exposure, as per the terms of the Investment Manager Agreement. Ruffer uses forward foreign exchange contracts to partially or fully hedge non-Sterling exposure, but the proportion hedged is at the manager's discretion depending on where they see value in overseas currency markets and may vary over time.

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	29	120,231	20,554	(23,325)
	10-20 years	26	57,574	24,441	(18,206)
	20+ years	83	252,296	132,384	(81,895)
				177,379	**(123,426)**
Inflation rate swaps	0-10 years	24	242,440	5,050	(6,457)
	10-20 years	34	73,761	7,140	(8,782)
	20+ years	64	87,023	23,814	(50,914)
				36,004	**(66,153)**
Other swaps	20+ years	2	23,447	132	(137)
				132	**(137)**
				213,515	**(189,716)**
Total net swaps					**23,799**

The Fund held collateral of £25,143,538 (2019: £11,191,539) consisting of cash and bonds and pledged collateral of £947,400 (2019: £21,135,729) constituted of bonds in respect to the Swaps as at 31 March 2020.

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	2	AUD	341	GBP	(169)	**-**	**(1)**
	1	GBP	2,265	EUR	(2,677)	**-**	**(104)**
	1	GBP	334	USD	(438)	**-**	**(19)**
Within 3 months	1	GBP	8,372	USD	(10,900)	**-**	**(407)**
	1	USD	1,274	GBP	(1,087)	**-**	**(61)**
						-	**(592)**
Total net forward foreign exchange contracts							**(592)**

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 2020 £'000	Total 2019 £'000
Aegon	**250**	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 2020 £'000	Total 2019 £'000
Market Value as 1 April	**287**	**282**
Interest credit	**4**	**5**
Monies out	**(1)**	**-**
Market Value as 31 March	**290**	**287**

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:

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	46,069	-	-	**46,069**
Bonds	-	399,718	-	**399,718**
Pooled investment vehicles	-	122,420	163,524	**285,944**
Derivatives	-	(592)	23,799	**23,207**
Annuity policies	-	-	7,023	**7,023**
AVC investments	-	250	-	**250**
Other investments	-	2,074	-	**2,074**
Cash deposits	3,583	-	-	**3,583**
Other investment balances	-	(266,145)	-	**(266,145)**
	49,652	257,725	194,346	**501,723**

Analysis for the prior period end is 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**

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 2020 £'000	Total 2019 £'000
		Currency	Interest rate	Other price		
LDI	●	○	●	●	**234,039**	194,564
Multi asset credit	●	○	●	○	**28,330**	31,928
Global equity	○	●	○	●	**41,936**	53,218
Diversified growth	●	●	●	●	**25,335**	35,503
Indirect property	●	○	○	●	**5,476**	10,937
Contractual income	●	○	○	○	**145,083**	150,460
Private credit	●	○	○	○	**14,251**	-
Annuities	●	○	●	○	**7,023**	7,745
					501,473	484,355

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) 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 comprise of secured finance asset classes 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 (Janus Henderson and Arcmont). 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 LDI portfolio managed by Insight invests only in Sterling-denominated assets and is therefore not exposed to direct currency risk.

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 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 may 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 private credit portfolio managed by Arcmont mainly invests in Europe and hedges all overseas exposure back to Sterling; and is therefore not significantly exposed to direct currency risk.

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's LDI portfolio 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 Janus Henderson pooled fund. The private credit portfolio managed by Arcmont is subject to some indirect interest rate risk as Arcmont holds bond like assets; however, this is largely mitigated due to Arcmont investing mainly in floating rate instruments. 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 by 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 2020 is set out below:

	Fees £'000	Commissions £'000	Taxes £'000	**Total 2020 £'000**	Total 2019 £'000
Direct transaction costs					
Equities	19	20	-	**39**	46

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 2020:

	2020 £'000	2019 £'000
Insight Secured Finance Direct Lending Fund	**145,083**	150,460
UK (Govt) 3.5% Gilt SNR 22/01/45	**50,942**	53,080
UK (Govt) 4.25% Gilt 07/12/46	**47,987**	45,683
UK (Govt) 1.25% IDX/LKD 22/11/27	**45,067**	-
Insight Liquid ABS Fund	**43,516**	44,123
Insight Global ABS Fund	**40,865**	44,033
UK (Govt) 3.75% Gilt 22/07/52	**35,398**	73,374
Henderson Multi Asset Credit I Acc GBP Gross (Hedged)	**28,330**	31,927
UK (Govt) 1.125 IDX/LKD 11/2037	**26,494**	-
UK (Govt) 4.25% GTD Gilt 7/9/39	**25,757**	26,372

18 Tangible fixed assets

	Office equipment £'000	Office furniture £'000	**Total £'000**
Cost as 1 April 2019	18	7	**25**
Additions	18	-	**18**
Disposals	(10)	-	**(10)**
31 March 2020	26	7	**33**
Depreciation as 1 April 2019	14	7	**21**
Charge for the year	4	-	**4**
Disposals	(9)	-	**(9)**
31 March 2020	9	7	**16**
Net book value 31 March 2020	**17**	**-**	**17**
Net book value 31 March 2019	4	-	4

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 2020 £'000	Total 2019 £'000
Cash Balances	**3,306**	3,016
Sundry Debtors	**52**	108
Employer contributions receivable	**33**	45
Employee contributions receivable	**7**	7
Total current assets	**3,398**	3,140

Employer and employee contributions were received by the Fund on 3 April 2020.

20 Current liabilities

	Total 2020 £'000	Total 2019 £'000
Sundry Creditors	**(35)**	(41)
Investment fees due	**(518)**	(586)
PAYE	**(271)**	(273)
Actuarial fees & Investment consultancy fees	**(75)**	(48)
Other professional advisers' fees	**(310)**	(76)
Benefits payable	**-**	(69)
Total current liabilities	**(1,209)**	(1,093)

21 Employer related investments

During the year end the Fund held direct employer-related investments within the meaning of Section 40[2] of the Pensions Act 1995 but which represented 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.

At the year end, there were no employer related investments held.

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 deferred member. The amount of Director fees is presented in note 7.

23 Capital commitments

	Total 2020 £'000	Total 2019 £'000
Arcmont Direct Lending Fund III	**(30,814)**	(45,000)

The Fund has capital commitments in respect of the Arcmont 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 30 April 2020, the Fund withdrew £1,625,365 from the Ruffer portfolio in order to meet the Capital Call received from Arcmont, dated 17 April 2020. These funds were reinvested on the 1 May 2020 representing the latest investment into the Arcmont Direct Lending Fund III. Further Capital Calls are expected over the next year before the Arcmont portfolio is fully funded.

There has been ongoing fluctuations in global markets as a result of the COVID-19 pandemic, causing disruption to many businesses and economic activity. The Trustee is monitoring the situation closely and liaising regularly with its investment advisor to consider any necessary actions to respond.

Summary of Contributions

During the year ended 31 March 2020, the contributions payable to the Fund under the Schedules of Contributions were as follows:

	£'000
Employer normal contributions	544
Employer deficit contributions	1,230
Employee normal contributions	81
Employer augmentation contributions	12
Other contributions	9
Total contributions payable under the Schedules of Contributions	1,876
Total contributions as per note 3 of the Financial Statements	1,876

E S Stobart
Chairman

Signed on behalf of the Trustee Date: 16 July 2020

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 2020 to which this statement is attached.

In our opinion contributions for the Fund year ended 31 March 2020 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 23 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 Schedule 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 Schedule 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 Schedule of Contributions.

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

Use of our statement

This statement is made solely to the Fund's Trustee, as a body, in accordance with 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: 17 July 2020

Actuarial Certificate

The effective date of the most recent actuarial valuation was 31 March 2019. 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 2019, to be met by the end of the period specified in the recovery plan dated 1 July 2020.

I also certify that any rates of contributions forming part of this Schedule which the Fund requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule, the Statement of Funding Principles and any Recovery Plan.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 1 July 2020.

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:	Richard Gibson	Date:	1 July 2020
Qualification:	Fellow of the Institute and Faculty of Actuaries		
Address:	2 London Wall Place 123 London Wall London EC2Y 5AU	Employer:	Barnett Waddingham LLP

Under Section 222 of the Pensions Act 2004, the Fund 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 Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 March 2019. This showed that on that date:

The value of the Technical Provisions was:	£520.7 million
The value of the assets was:	£486.9 million

Therefore, the Fund had a funding deficit of £33.9 million *[totals do not sum due to rounding]*, corresponding to a funding level of 93%.

There are eight 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 2019 valuation, the Trustee took into account the covenant of MS Amlin Corporate Services Limited ("MS Amlin"), additional covenant support measures put in place by MS Amlin Corporate Member Limited, and an escrow account in favour of the Trustee. 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 2019 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, where applicable, 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 expected future expenses of administration and management at 3% of the Fund's defined benefit liabilities. 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 pages.

Assumptions as at 31 March 2019

The significant actuarial assumptions used to calculate the Technical Provisions as at 31 March 2019 are set out in the table below, which is taken from the Statement of Funding Principles dated 1 July 2020:

	Technical Provisions
Pre- and 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
Price inflation (CPI)	In line with RPI assumption less 1% pa
Salary increases	MS Amlin and Mumford: nil LSF: 3.60% pa
Male mortality table	**Members with pensions under £20,000 pa:** 102% of S3PMA **Members with pensions over £20,000 pa:** 87% of S3PMA_Very Light
Female mortality table	**Members with pensions under £20,000 pa:** 96% of S3PFA **Members with pensions over £20,000 pa:** 87% of S3PFA_Very Light
Allowance for improvements in male and female life expectancy	CMI 2018 projection with a long-term rate of improvement of 1.5% pa, a period smoothing parameter of 7.0 and an initial rate addition of 1.0% pa
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 early retirements	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 CETV terms
Ongoing administration and management expense reserve	3% of the Fund’s defined benefit liabilities
Other ongoing expenses	PPF levies are excluded from the Technical Provisions as they are payable under the Schedule of Contributions as they arise
Allowance for investment expenses	Expected returns are assumed to be net of fees

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