

# PENSION BRIEFING

2022

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



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# WELCOME FROM THE CHAIR

Welcome to Pension Briefing – the newsletter for members of the Lloyds Superannuation Fund (LSF).

**Much of the last year was dominated by recovery of the UK and global economies from the Covid-19 pandemic as the vaccination programme was rolled out and society progressively returned to normality. During this period, I am pleased to report that the governance, stewardship and administration of the Fund continued without interruption, to ensure that all pensioners received their pension as normal, and that member correspondence and requests were dealt with promptly. I would like to thank the LSF Pensions Management team and our team of advisers, including Barnett Waddingham, our new administrator, for all their hard work in often difficult circumstances.**

Although there was a significant initial adverse impact from Covid-19 on the global economy and global investment markets, these markets subsequently stabilised and performed well. However, following the

Russian attack on Ukraine in the first quarter of this year, which in part has led to increased levels of inflation, there has been further market volatility and notable falls in some investment areas. The Fund has no direct investment in Russia and the Board has no intention of making any investment in Russian, Belarusian or Ukrainian-related securities.

During the year, the Fund's investments (before taking into account the Fund's interest rate and inflation hedging programme) produced a return of 0.9% compared with its benchmark of 0.1%. Further information on the Fund's investments is set out on page 6.

As part of its investment strategy, the Fund has had in place a 'waterfall' liquidity structure comprising assets with varying degrees of liquidity, which is intended to ensure that collateral obligations associated with its LDI hedging programme can be met as and when they fall due.

The investment market turbulence following the announcement of the Government's Growth Plan 2022 on 23 September 2022 led to significant collateral calls being made, which were met fully from the 'waterfall' liquidity structure. In order to provide a further liquidity buffer, the Fund's Global Equities portfolio was also liquidated. The Trustee continues to monitor events to ensure that the Fund has sufficient liquidity which may result in other assets being sold; however, the Fund's overall investment strategy has not been changed.

While the Board is pleased to note the resilience of the Fund's investments to the recent market volatility and high inflation, it is worth remembering that members' benefits are not linked to movements in the financial markets but are defined by the Trust Deed and Rules.

Recent market events and the actions referred to above do not and will not impact the pensions due to members and their beneficiaries.

During 2022, we are undertaking a triennial actuarial valuation of the Fund as at 31 March 2022. The last full actuarial valuation was for the period ending 31 March 2019, and was completed during the course of 2020, showing a funding level of 93%. Since then, despite the impact of the pandemic on financial markets, the annual actuarial updates, as set out on page 7, have shown an improvement in the funding position of the Fund to 95% as at 31 March 2021. We expect to conclude the 2022 triennial valuation by the end of 2022 and further updates on the outcome of the valuation will be provided in 2023.

As indicated in my Chairman's Statement last year, following the retirement of our long-standing pensions manager, Bob Clark, a review of the optimal model to continue to provide a high level of pension administration services to our members was undertaken in 2020/21. Following that review, the Board approved the move of the pensions administration services to Barnett Waddingham, a professional pension services provider, which was implemented from 1 October 2021.

I am pleased to confirm that the transition of the administration of the Fund was smooth and there were no disruptions to the services to our members. In particular, the provision of a member-facing website was delivered on time and represents an improvement to the member services previously offered. This provides the Board with a firm foundation upon which to continuously improve member services and communications going forward.

Additionally, the Board also decided to move the provision of Fund secretarial and support services from the in-house team to Muse Advisory, and this transition started in January 2021.

The last few years have been very busy for the Fund, and no doubt busy for all our members. I would like to take this opportunity to thank all our advisers for their considerable guidance and assistance to the Board over the past year of challenges.

During the year, Mike Hampton, an Independent Director and Deputy Chairman, stepped down from the Board. I would like to thank Mike for all his advice and support over the 10 years that he served on the Board. Yvonne Slater, an Employer Nominated Director, has been appointed as Deputy Chairman of the Fund. I would like to place on record my thanks to all my fellow Board members for their support over the last year.

**Eric Stobart  
Chair of the Trustees**

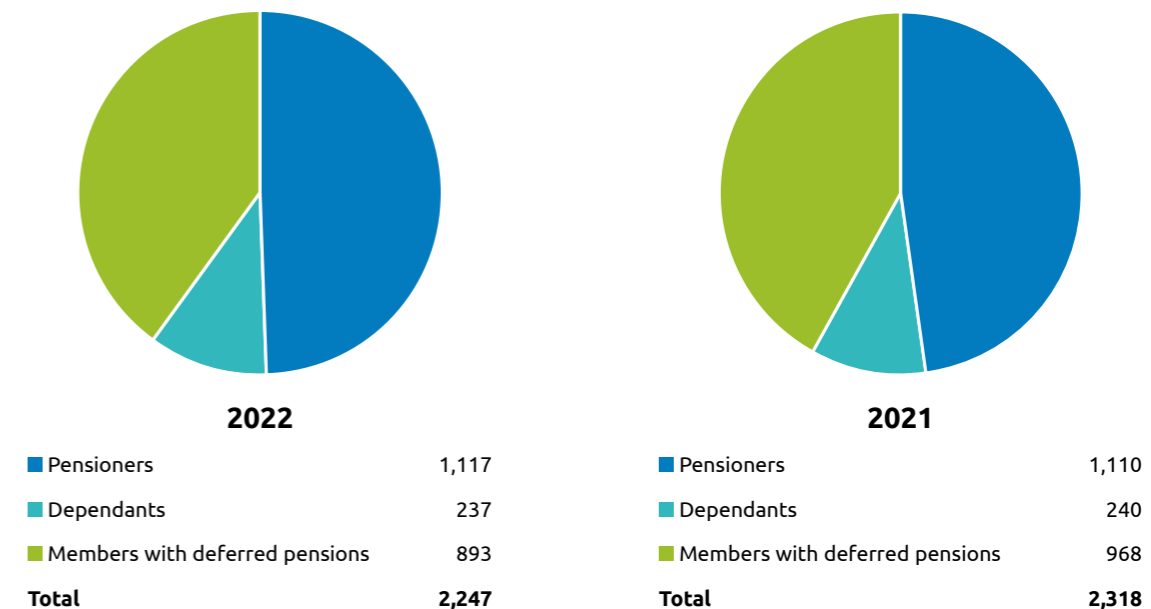
# REPORT & ACCOUNTS

The Fund's year-end is 31 March and the audit of the latest report to 31 March 2022 has been completed. The table shows a summary of this year's audited statements; you can download a copy of the full report from [www.lsf.org.uk/documents](http://www.lsf.org.uk/documents).

	2022	2021
	£'000	£'000
<b>CONTRIBUTIONS &amp; BENEFITS</b>		
Contributions	4,949	5,275
Benefits payable	(28,091)	(48,741)
<b>Net result from dealing with members</b>	<b>(23,142)</b>	<b>(43,466)</b>
<b>RETURNS ON INVESTMENTS</b>		
<b>Net return on investments</b>	<b>2,614</b>	<b>8,534</b>
<b>Net decrease in the Fund during the year</b>	<b>(20,528)</b>	<b>(34,932)</b>
<b>NET ASSETS OF THE FUND</b>		
At the beginning of the year (1 April)	468,997	503,929
<b>At the end of the year (31 March)</b>	<b>448,469</b>	<b>468,997</b>

# MEMBERSHIPS

The charts below show the different types of member in the Fund as at 31 March 2022:



# INVESTMENTS

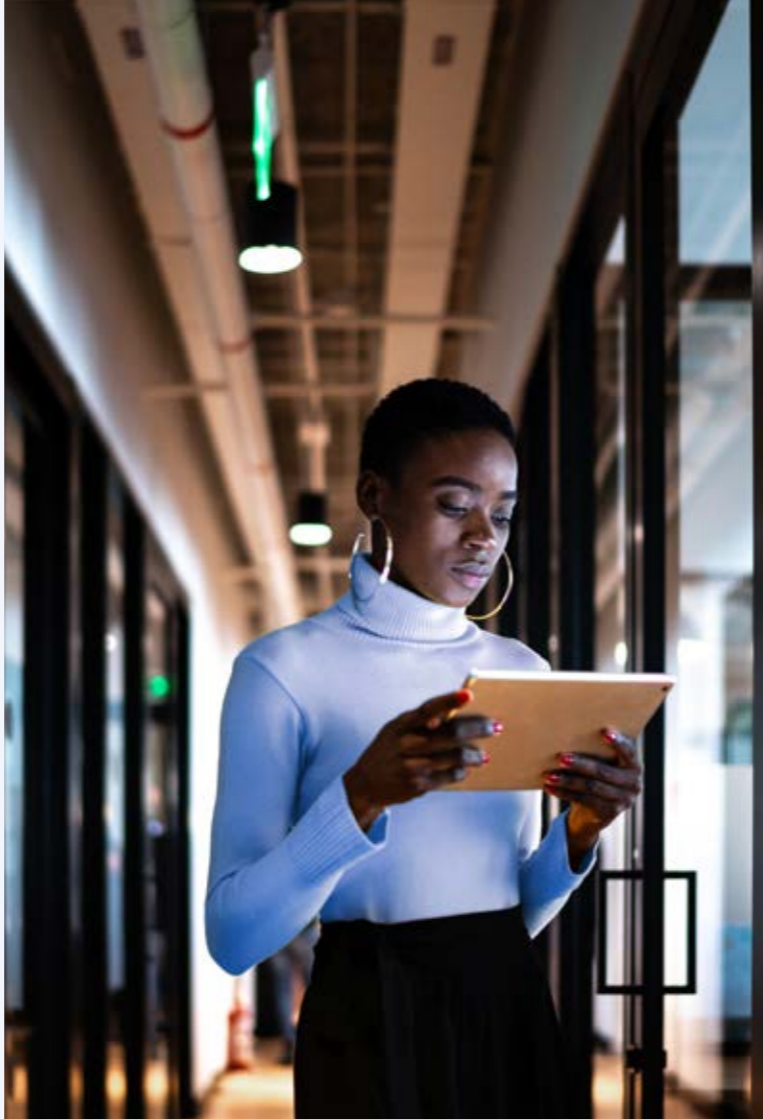
The Trustee sets the investment strategy for the Fund, which is formally documented in the Statement of Investment Principles (SIP). The investment strategy is reviewed annually and again after the completion of each triennial valuation and updated as needed. The SIP was last updated in December 2021.

Within a reasonable timeframe, the Trustee's current investment strategy is to gradually switch assets so that the Fund is mainly invested in low-risk, bond-like assets. These assets tend to move broadly in line with the liabilities, and this helps to protect the Fund from volatile investment conditions.

## INVESTMENT PERFORMANCE

Over the 12-month period to 31 March 2022, the Fund returned 0.9%, overperforming the benchmark, which is calculated with reference to portfolio weights from the previous period, of 0.1%. The returns of the Fund's investment portfolios over the past five years are shown in the table below.

	Performance	Benchmark
2017/18	14.9%	13.3%
2018/19	1.5%	1.3%
2019/20	10.1%	12.0%
2020/21	1.8%	(1.5%)
2021/22	0.9%	0.1%



# FUNDING UPDATE

The Trustee is responsible for ensuring that the Fund has sufficient assets to pay its liabilities (i.e. the benefit promises to members) as they fall due.

The triennial valuation report to 31 March 2019 can be viewed on the Fund website, at [www.lsf.org.uk/documents](http://www.lsf.org.uk/documents).

The funding shortfall revealed by the valuation is being eliminated by a combination of investment returns and the 'deficit recovery contribution' payments made by MS Amlin, the sponsoring employer, to the Fund. Like most schemes, a liability-driven investment (LDI) strategy is in place to provide some protection against the Fund's funding position worsening due to adverse movements in long-term interest rates or inflation expectations.

From 31 March 2020 to 31 March 2021, the funding level improved from 91% to 95%, with the deficit reducing over the year by £27.65m, leading to an overall improvement in funding level since the 2019 valuation. The reduction in the deficit is primarily due to the Fund's growth assets rallying since the March 2020 market shock, as well as the receipt of £4.94m in deficit reduction contributions. The Fund's LDI portfolio served to broadly offset the changes in interest rates and expected inflation over the year.

However, given Covid-19 and the Ukraine crisis, the Fund has seen movements in its funding position which will be reflected in the valuation as at 31 March 2022. This valuation process is currently ongoing and the full funding report and summary funding statement will be made available once the valuation has concluded.

# PENSION INCREASES

For the individual member, the LSF rules allow for annual increases to help protect pensions against inflation.

If you're a deferred member, your pension also receives increases between the date you left the Fund and when you start to claim your pension (this increase is known as 'revaluation').

Pensions in payment are also increased, and different elements of your overall pension may be subject to different capped and fixed increases. Details of these increases will be provided to you when your pension comes into payment.

# NEWS UPDATE

## LIFETIME ALLOWANCE

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge. The LTA remains unchanged at £1,073,100 and is likely to remain at this level until at least April 2026.

## RISE IN NORMAL MINIMUM PENSION AGE CONFIRMED

The Finance Act 2022 has made official the planned increase in the normal minimum pension age (NMPA) from 55 to 57 in April 2028. The NMPA is the earliest age at which most pension savers can access their pensions without incurring a tax charge, unless they retire due to ill health. The NMPA has been 55 since 6 April 2010 for most pension savers.

## UPDATE ON GMP EQUALISATION

All UK pension schemes whose members have Guaranteed Minimum Pensions (GMPs) have to make sure that no one has a lower pension as a result of their sex – a process called ‘GMP equalisation’. The Trustee has been considering the approach to GMP equalisation and will undertake its equalisation exercise in 2023. And just to reassure you, your pension will not reduce because of GMP equalisation, but if you are affected, any uplift to pensions is likely to be modest. In the meanwhile, we will continue to pay pensions on the current basis.

At the same time, the Fund was also required to check the Fund’s GMP records against those held by Her Majesty’s Revenue & Customs (HMRC). This is a different exercise to GMP equalisation. If this process showed that our GMP data in respect of you does not match HMRC’s, we have updated our records and corrected (rectified) your pension and have contacted you directly about this. If we have not contacted you, no rectification was required and you do not need to do anything.

## HOW MONEYHELPER CAN HELP

From June 2022, the Pensions Regulator introduced new measures to help members prepare for their retirement and make better informed decisions about the options available to them.



If you have made any Additional Voluntary Contributions (AVCs) and want to start receiving your pension, Barnett Waddingham must first offer to book a pension guidance appointment for you with Pension Wise, a government service run by MoneyHelper. These appointments can take place over the phone or in person. If you do not want to take the free guidance, you just need to let Barnett Waddingham know and you can ‘opt out’.

The Pensions Regulator has also introduced changes to your statutory right to transfer. The Fund’s administrator is required to perform checks against the receiving scheme to ensure there are no ‘red flags’ present that could mean that the receiving scheme is part of a pension scam, including investments in high risk or unregulated investments. If this is the case, the Trustee will refer you to MoneyHelper to receive independent scams guidance before the transfer can proceed.

# THE AGE OF FRAUD

**Pension scammers love to exploit events – such as the current cost-of-living crisis. They also use changes in pensions laws as an opportunity to trick people – so 2022 has been a great year for fraudsters.**

Scammers often try to manipulate or trick their victims through an approach known as ‘social engineering’. Here are the most common forms of social engineering attacks to be aware of:

## PHISHING

Email fraud – or ‘phishing’ – is where the sender sends out legitimate-looking email in an attempt to gather personal and financial information from recipients. It can be very difficult to tell the difference between a real email and a fake email.

## SPEAR PHISHING

This is where scammers have collected your personal information, perhaps through social media, stolen personal data, or even by rifling through your rubbish, and send you an email that makes you think they know you.

## COLD CALLING

This is where companies make unwanted, unsolicited phone calls to you about your pension.

The Trustee Board has also signed up to the Pension Regulator’s Pledge to combat pension scams. Full details of what the Pledge entails are included at [www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams](https://www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams)

### Don't get hooked

- **Don't open emails and attachments from unknown senders.** If you do know the person but are suspicious about the message, cross-check the information with the sender separately.
- **Use two-factor verification where it's offered.** This is where you may be asked to provide a code that is sent to your phone or another device, in addition to your usual login details.
- **Be wary of tempting offers.** If an offer sounds too good to be true, it usually is.
- **Be wary of pressured deadlines.** Pension schemes do not need to apply pressured deadlines in which action should be taken therefore be aware of advisers providing you with great offers that need to be accessed only within an unreasonably short and urgent deadline.
- **Hang up on cold callers.** It's really easy to be caught out by a telephone call out of the blue. It's now illegal to cold-call about pensions, so in this case just hang up.
- **Keep your antivirus/anti-malware software updated.** Check for updates regularly and scan your system for possible infections.

Finally, before you make any decisions about your pension or authorise anyone to deal with your financial affairs, check to see if the firm is registered with the Financial Conduct Authority at <https://register.fca.org.uk/s/>

# WHO'S WHO IN THE FUND?

A trustee company called LSF Pensions Management Ltd acts as the Trustee of the Fund, holding its assets completely separate from those of the Employers. The trustee company's Board comprises an Independent Chairman, up to three nominated Employers' Directors and up to three Members' Directors.

The Board is currently made up as follows:

## Independent Directors

Eric Stobart, Chair of the Trustees  
Michael Hampton, Deputy Chair (resigned 31 December 2021)

## Employer Nominated Directors

Neil O'Leary  
Evie Slater, Deputy Chair (from 1 January 2022)

## Member Nominated Directors

Paul Horncastle  
Robert Mankiewitz

## YOUR DEDICATED MEMBER WEBSITE

One of our key areas of focus this year has been to work alongside Barnett Waddingham to ensure that we have been able to continue to deliver the full range of member services, and to build on those services, such as providing access to their secure member self-service website, called BWebstream. Each member should have received login details for this site, and you can access this through the Fund website, [www.lsf.org.uk](http://www.lsf.org.uk)



# CONTACT US

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

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