

**LV= EMPLOYEE PENSION SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**  
**SCHEME REGISTRATION NUMBER: 10200449**

## **LV= EMPLOYEE PENSION SCHEME**

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**YEAR ENDED 31 MARCH 2024**

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## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2024

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<b>Principal Employer</b>	Liverpool Victoria Financial Services Limited	
<b>Trustee</b>	The LV= Pension Trustee Limited	
<b>Directors of the Trustee</b>	<u>Appointed by the Principal Employer</u> BESTrustees Limited (Independent Trustee Director represented by Huw Evans (Trustee Chair) and supported by Karen Theobald) John Laidlaw Emma Woodford Chris Agius  <u>Member Nominated Directors (MND)</u> Anthony Antoniou Joe McCormick William Miller	
<b>Secretary to the Trustee</b>	Michael Jones	
<b>Scheme Actuary</b>	Alec Day FIA of Hymans Robertson LLP	
<b>Independent auditor</b>	Crowe U.K. LLP	
<b>Legal advisers</b>	Allen & Overy Shearman	
<b>Investment custodians</b>	HSBC Bank Pie	
<b>AVC providers (Defined benefit section)</b>	Utmost Life and Pensions Limited Standard Life Assurance Limited	
<b>Bankers</b>	Barclays Bank UK pie	
<b>Administrators</b>	<b>Defined Benefit</b> Towers Watson Limited (trading as WTW)	<b>Defined Contribution</b> Aviva Life & Pensions UK Limited (to April 2023)

**LV= EMPLOYEE PENSION SCHEME****TRUSTEE AND ADVISERS** *(continued)***YEAR ENDED 31 MARCH 2024**

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<b>Investment advisers</b>	<b>Defined Benefit</b> Redington Limited Haydon Hill Advisors Limited	<b>Defined Contribution</b> Lane Clark & Peacock LLP (to April 2023)
<b>Investment managers</b>	<b>Defined Benefit</b> Columbia Threadneedle Investment Services Limited (to 31 March 2024) Equitix Investment Management Limited BlackRock Investment Management Limited (to August 2023) Insight Investment Management Limited (to August 2023) Schroder Investment Management Limited (from 29 June 2023)	<b>Defined Contribution</b> Aviva Life & Pensions UK Limited (to April 2023)
<b>Annuity insurance provider</b>	Phoenix Life Limited	
<b>Covenant adviser</b>	Ernst and Young LLP	

# **LV= EMPLOYEE PENSION SCHEME**

## **TRUSTEE'S REPORT**

**YEAR ENDED 31 MARCH 2024**

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### **Introduction**

The Trustee presents its annual report for the Scheme together with the investment report, actuarial certificate and financial statements for the year ended 31 March 2024.

The Scheme is an occupational pension scheme for certain fixed term contracts paid through payroll or permanent full and part-time staff (until 30 November 2022) and former staff of the Principal Employer and its subsidiary companies in the United Kingdom and contains both non-contributory and contributory Sections.

The Scheme is registered under Chapter 2 of part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. To the Trustee's knowledge there is no reason why this registration should be prejudiced or withdrawn.

The Scheme is established under and governed by the Trust Deed and Rules, which have been approved by the Pensions Schemes Office of HM Revenue and Customs.

The Scheme comprises two sections:

- a Defined Benefit (DB) Section which provides benefits based on a Member's salary and length of service; and
- a Defined Contribution (DC) Section which provides benefits based on a Member's accumulated fund value at retirement.

Before the DB Section closed to future accrual on 30 June 2013, its active Members were contracted-out of the State Second Pension. The DC Section has always been contracted-in.

Before the DC Section closed to future accrual on 30 November 2022, active Members were able to make AVC contributions to secure additional benefits; this option was also available to Members of the DB Section until it closed to future accrual.

All DC and AVC assets held in the DC Section of the Scheme transferred to The Aon MasterTrust in April 2023.

The Scheme has a corporate trustee, The LV= Pension Trustee Limited, rather than individual trustees.

### **Management of the Scheme**

The Scheme is governed by the Trustee which is required to act in accordance with the Trust Deed and Rules, within the framework of pension and trust law.

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on pages 1 and 2 of this report.

### **Trustee**

The names of the current Trustee Directors, and others who served as Directors during the year, are included on page 1 of this report.

## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 MARCH 2024**

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The Rules and the Articles of Association of the Trustee contain provisions for the appointment and removal of the Directors. All members (including deferred members) are eligible to nominate themselves as a MND. From the effective date, the Board must consist of at least three MND (the status of the three MND's will be proportionate to the membership at the time) and up to four persons selected by the Principal Employer. If the number of MNDs drops below these minima, any vacancy must be filled in accordance with the procedures outlined in the Rules. Additionally, the Board may co-opt an additional Director, provided that the Principal Employer consents.

When a vacancy arises for a Director selected by the Principal Employer, the vacancy will be filled by the Principal Employer. Directors selected and appointed by the Principal Employer have no fixed term of office.

When a vacancy arises for a MND, the Board will arrange for the vacancies to be filled through a selection process. A selection panel will select who to take forward to the interview stage from the nominations, and carry out the interview of those selected. The panel will be made up of the Independent Trustee, MNDs and the LV= Pensions Partner. Following the interviews, a recommendation will be put forward to the Board for agreement.

The Pensions Act 2004 and subsequent regulations have put in place requirements for Member Nominated Directors. The Trustee has in place a process to appoint at least one third of the Board as MNDs. MNDs serve for a fixed term of 5 years but are not precluded from serving further terms of office if re-elected.

The Trustee may be removed at the discretion of the Principal Employer, in its capacity as principal employer, provided that the board of any new trustee company comprises three directors representing the Members, including one director who must be a pensioner and up to a further four directors selected by the Principal Employer.

The full Board met on six occasions. All Directors attended all Board meetings for the Scheme year ending 31 March 2024 (or, if applicable, the date when they left office), except Emma Woodford who was unable to attend one meeting. All Directors can pass on their views on agenda items to the Trustee Chair if they are unable to attend any meeting.

The following sub committees also met during the year: the Funding and Investment Sub Committee, the Administration Sub Committee and the Defined Contribution Sub Committee (which was disbanded after the July 2024 meeting).

#### **Changes to the Scheme Rules**

There were no changes to the Scheme Rules during the year.

## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 MARCH 2024**

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#### **Scheme financial statements and summary of contributions**

The financial statements of the Scheme for the year ended 31 March 2024 are set out on pages 26 to 57 and the Trustee's summary of contributions and the independent Auditor's statement about contributions are set out on pages 21 and 22 respectively.

The financial statements have been prepared and audited in compliance with the regulations made under section 41(1) and 41(6) of the Pensions Act 1995.

The net assets of the Scheme decreased by £351.5m (2023: £541.1m) over the year giving a Scheme value of £926.3m at 31 March 2024 (2023: £1,277.5m).

The main reason for the decrease in net assets over the year was the bulk transfer of all Members' existing DC assets and AVCs held in the DC Section of the Scheme, amounting to £242.2m, to the LV= Future Savings section of The Aon MasterTrust in April 2023.

The Scheme's DB Section assets fell by £112.3m over the year as UK government bond yields rose. As the Scheme's assets are designed to broadly offset the impact of changing interest rates/government bond yields and inflation on the value of the liabilities, this fall in asset value was also accompanied by a fall in the Scheme's liabilities.

#### **Changes to the DC section of the Scheme**

The DC Section of the Scheme closed to new Members and future accrual on 30 November 2022 and was replaced by the LV= Future Savings section of The Aon MasterTrust from 1 December 2022.

In April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme, were transferred to the LV= Future Savings section of The Aon MasterTrust.

#### **Other events**

##### *Scheme funding*

The Trustee, with help from their advisers, continued to monitor the funding of the Scheme throughout the year taking into consideration any factors that may impact the funding of the Scheme.

- In April 2023, Liverpool Victoria Financial Services Limited (LVFS) paid down £150m of a total of £350m of Fixed Rate Reset Subordinated Debt. As a result of this transaction and to reflect the changed capital position the Trustee has therefore decided to bring forward the full valuation by a year to 31 March 2023, to reset the Scheme funding basis.
- The Scheme's full actuarial valuation due on 31 March 2024 was brought forward to 31 March 2023. This was completed in June 2024. As a result, contributions have continued at £416K per month. The results will be issued to Members in due course.

The Trustee continues to work closely with LVFS and will ensure that the Pension Scheme is treated fairly at all times.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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##### *Investments*

The key event that happened during the Scheme year was:

- The Trustee appointed Schroder Investment Management Limited (Schroders) as a new single manager, to manage both the Scheme's LOI and credit assets, which were split between BlackRock (LOI) and Insight (credit assets). This consolidation will improve the Scheme's collateral management process, benefit from operational efficiencies and future proof the asset portfolio. The transition to the new manager was completed in August 2023.

##### *Governance and Communication*

The Governance of the Pension Scheme and Communication are extremely important. Events that have happened over the Scheme year are:

- In June 2021, legislation was published which required trustees of large pension schemes to more closely address climate change risks and opportunities by aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Over the Scheme year the Trustee has continued work to align the Pension Scheme to the framework set by the TCFD. The Trustee's TCFD report for the year ended 31 March 2024 can be found at [www.lvpensionsvillage.co.uk/resources/documents](http://www.lvpensionsvillage.co.uk/resources/documents).
- The threat of cyber-crime is a growing and significant risk affecting many aspects of people's lives. During the year, the Trustee continued liaising with its administrators and advisers to ensure the appropriate policies and procedures are in place continue to develop to help combat this threat and keep member data safe. This is an area that the Trustee will continue to focus on.
- In August 2023, the Scheme's website 'Pensions Village' was updated following the DC asset transfer to The Aon MasterTrust. The Pensions Village will now be predominately a communication hub for members of the DB Section of the Scheme.

##### *External*

The areas that the Trustee has been working on over the year which have been influenced due to external factors are:

- GMP equalisation

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. This judgment followed on from the 26 October 2018 judgment, which has previously been allowed for in accounting disclosures, where the High Court ruled that schemes had a legal obligation to pay benefits allowing for GMP equalisation. The Trustee is working with its advisers and the Employer on determining the approach to implement changes to benefits required for individual members. In the meantime, work has continued over the year to ensure that the GMP amounts held by the Scheme are reconciled with the information that is held by HMRC.



## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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- NTLNirgin Media pensions case

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pensions Scheme Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying that may retrospectively validate certain rule amendments. In addition, there is a possibility that the case could go to the Supreme Court.

Given these uncertainties it is not currently possible to determine whether any amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements. Further, it is not currently possible to reliably estimate the retrospective possible impact to the defined benefit obligations of the pension scheme if these amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements. The Trustee are consulting with its advisors on any possible implications for the Scheme whilst monitoring developments.

Any implications for the Scheme will be considered by the Trustee and Company in due course.

#### **Statement of Trustee's responsibilities in respect of the financial statements**

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 Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme 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 judgments 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 Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's Responsibilities accompanying the Trustee's summary of contributions.

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 Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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#### Membership

The changes in membership during the year are as follows:

#### DB Section

	<b>Deferred</b>	<b>Pensioners</b>	<b>Beneficiaries</b>	<b>Total</b>
At 1 April 2023	4,893	3,844	811	<b>9,548</b>
Adjustments to prior year*	(29)	(1)	4	<b>(26)</b>
New spouses and dependants			55	<b>55</b>
Retirements	(141)	141		
Deaths	(5)	(110)	(50)	<b>(165)</b>
Entitlements ceasing			(3)	<b>(3)</b>
Individual transfers out	(11)			<b>(11)</b>
Commutations	(11)			<b>(11)</b>
Members leaving with no benefits	(2)			<b>(2)</b>
<b>At 31 March 2024</b>	<b>4,694</b>	<b>3,874</b>	<b>817</b>	<b>9,385</b>

#### DC Section

	<b>Deferred</b>	<b>Pensioners</b>	<b>Beneficiaries</b>	<b>Total</b>
At 1 April 2023	7,044			<b>7,044</b>
Adjustments to prior year*	(6)			<b>(6)</b>
Group transfers out	(7,037)			<b>(7,037)</b>
Combined record	(1)			<b>(1)</b>

#### At 31 March 2024

Total membership	4,694	3,874	817	<b>9,385</b>
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\*Adjustments to prior year opening figures are due to late notification of Member movements.

The group transfers out were in respect of the bulk transfer of all Members' existing DC assets and AVCs held in the DC Section of the Scheme, amounting to £242.2m, to the LV= Future Savings section of The Aon MasterTrust.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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##### Pension increases

The pension increases that were applied to the Liverpool Victoria and the ex-Frizzell pensioners are as shown below.

The Liverpool Victoria increases were applied from 1 April 2023. These are based on the September 2022 RPI of 12.6%, except for the post 5 April 1988 GMP element which is subject to a statutory increase of 3%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April AVCs are subject to a maximum increase of 5%.

The Frizzell increases were applied from 6 July 2023. These are based on the April 2023 RPI of 11.4% except for the pre 6 April 1998 and post 5 April 1988 GMP elements which are subject to fixed increases of 3%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April 1995 AVCs are subject to a maximum increase of 5%.

<u>Pension element</u>	<u>Increase applied</u>	
	<u>Liverpool Victoria</u> <u>01-04-2023</u>	<u>Frizzell</u> <u>06-07-2023</u>
Pre 06/04/1988 GMP	No increase	3.0%
Post 05/04/1988 <b>GMP</b>	3.0%	3.0%
Pre 6/04/1997 excess over GMP	5.0%	5.0%
06/04/1997 to 30/11/2007 excess over GMP	5.0%	5.0%
Post 30/11/2007 excess over GMP	2.5%	2.5%
Pre 06/04/1995 AVCs	No increase	No increase
06/04/1995 to 05/04/2000 AVCs	5.0%	5.0%
Post 05/04/2000 AVCs	5.0%	5.0%

These were implemented correctly and on time.

Deferred pensions are increased as required by legislation and in line with the Rules.

No discretionary payments were made.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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##### Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent scheme funding valuation under section 224 of the Pensions Act 2004 of the Scheme was carried out as at 31 March 2023. The results of that valuation are shown below, along with the interim position at 31 March 2022 and the previous valuation position at 31 March 2021.

<b>Valuation date: 31 March</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Value of technical provisions	£994.9m	£1,451.4m	£1,568.7m
Value of assets available to meet technical provisions	£984.8m	£1,566.9m	£1,630.3m
As a percentage of technical provisions	99%	108%	104%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee also consider the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided below:

<b>Valuation date: 31 March</b>	<b>2023</b>
Value of solvency liabilities	£1,118.9m
Value of assets available to meet solvency liabilities	£960.7m
As a percentage of solvency liabilities	85%

The value of technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and pension increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

##### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

##### Significant actuarial assumptions

**Discount interest rate:** for non-insured liabilities: best estimate of the Scheme's expected return on investments less 0.41% p.a. (defined as full gilt yield curves plus 0.92% p.a. at the valuation date); for insured liabilities: full gilt yield curves.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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**Future Retail Price Inflation:** term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

**Future Consumer Price Inflation:** term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.0% per annum pre 2030, and no adjustment post 2030, i.e. Retail Price Inflation less 0% post 2030.

**Pension increases:** where pension increases are linked to inflation these are derived from the term dependent rates for future Retail Price Inflation or Consumer Price Inflation as appropriate, allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

**Mortality:** The pre-retirement mortality of future pensioners is assumed to be 100% of the standard S3NMA/S3NFA tables published by the CMI of the actuarial profession and use the same future improvements assumption described below. For the period in retirement, mortality is assumed to be Club Vita base tables based on pooled experience in Club Vita during the period 2019 to 2021 (individual member base tables used). Future improvements are assumed to be in line with the CMI 2022 model, calibrated to Club Vita experience, with no weighting to 2020 data, an initial addition to improvements of 0.25%, increased level of smoothing ( $Sk=7.0$ ) applied to recent experience, a long-term annual rate of improvement of 1.50% p.a., tapering to 0% p.a. over ages 85 to 110 with all other parameters in line with the core parameterisation of the model.

#### **Schedule of contributions**

The 31 March 2023 actuarial valuation showed that the Scheme had a funding deficit of £10.1m relative to the Scheme's statutory funding objective. A Recovery Plan was prepared in June 2024 which was signed by the Employer on 26 June 2024.

A Schedule of Contributions was prepared in June 2024 which the Scheme Actuary certified on 27 June 2024. A copy of this certificate is included in this annual report.

Under the current schedule of contributions and recovery plan, the Employer shall pay contributions of £416,667 per month to fund the statutory funding deficit and support the aspiration of being fully funded on a longer-term target basis. This longer-term target basis will be set once the Pensions Regulator's guidance on the new funding regulations is in force. These contributions will continue until 31 March 2028 or until the target is reached if earlier.

#### **Next actuarial valuation**

The next triennial valuation is due as at 31 March 2026. The Trustee will receive preliminary results of the valuation in the months following this date and expects to finalise the valuation and agree a revised recovery plan (if required) within the statutory timescale by 30 June 2027.

## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

**YEAR ENDED 31 MARCH 2024**

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## **Investment report section**

### **Investment managers**

The Scheme's investments are managed by the investment managers appointed by the Trustee, as listed on page 2.

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment adviser. The Trustee has put in place investment mandates with its investment managers in order to implement this strategy.

Investment managers are remunerated by fees based on a percentage of funds under management. There are no performance related fee arrangements.

The investment adviser and investment managers are all appropriately authorised under the Financial Services and Markets Act 2000.

The Trustee considers that the Scheme's investments are readily marketable at the year end, except for the Equitix Investment Management Limited infrastructure fund which was valued at £30,096,000 at 31 March 2024 (31 March 2023: £31,132,000) where the nature of the assets means the fund cannot be redeemed out of early (unless, for example, through a secondary sale).

### **Investment principles**

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (SIP) has been prepared by the Trustee which incorporates the investment strategy. A copy of the SIP dated August 2023 is available on the Pensions Village website.

### **Employer related investments**

There were no employer related investments held during the year or at the year end.

### **Responsible Investment - Environmental, Social, and Governance ("ESG") Factors**

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee expects the investment managers to take into account ESG considerations except when these considerations have a bearing on financial return. The Trustee believes that ESG factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme. The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into its investment decision making nor does it appoint investment managers that consider these factors.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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##### Stewardship

The Trustee understands good stewardship to be the responsible allocation, management, and oversight of capital to create long-term value for its members, leading to sustainable benefits for the economy, the environment and society. The Trustee will aim to use its influence as an owner of assets to ensure that as far as possible best practices are reflected in terms of ESG factors, and will hold its investment managers to account for the effective use of their influence as owners of assets.

The Trustee's approach to stewardship reflects its broad investment approach: its role is to hire appropriately skilled investment managers, set clear expectations, assess the quality of their performance, and hold them to account where they identify deficiencies or areas for further improvement. The Trustee, via the Funding and Investment Sub Committee ("FISC"), carries out its stewardship through oversight and challenge of its investment managers rather than operating as active stewards directly of the underlying assets in which they invest.

##### **Key areas of focus**

To best channel its stewardship efforts, the Trustee believes that it should focus on a key theme. The Trustee's key theme has been selected by assessing relevance to the Scheme and its members, the financially material risks that it poses, and the maturity and development of thinking within the industry that allows for ease of integration into its approach. The Trustee's key theme is climate change. The Trustee may choose to focus on other themes in the future as it recognises there are other sustainability-related challenges facing global societies and the natural environment.

##### **Significance of stewardship in appointment and monitoring of investment managers**

It is the responsibility of the FISC to lead the Trustee's engagements with investment managers. The Trustee will not appoint new investment managers that cannot demonstrate the standards to which it holds existing investment managers. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to the Trustee's key themes;
- Provision of tailored reporting on stewardship activities and outcomes;

The Trustee expects its investment managers to provide specific evidence they have acted in accordance with these expectations which should provide the Trustee with enough insight to ascertain whether its investment managers are practising effective stewardship that is best aligned with the long-term interests. Where the Trustee identifies deficiencies it will escalate accordingly, with the ultimate response being the removal of mandates where it believes it is in the interests of the members to do so. The Trustee views incremental improvements by its investment managers as the key success measure of its own stewardship activities.

##### **Custodial arrangements**

Custodian services for the segregated investments are provided by HSBC Bank Plc. In accordance with normal practice, the Scheme's investments are registered in the name of each of the custodian's own nominee companies with designation for the Scheme.

## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 MARCH 2024**

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#### **Implementation Statement**

The Implementation Statement for the Scheme year, which is part of this Trustee's Report, is included after the Notes to the Financial Statements. It sets out how the SIP has been followed over the year, along with details of any reviews of the SIP and changes that have been made as a result of the reviews.

#### **DB Section**

##### **Investment objectives and strategy**

In determining and reviewing the Scheme's investment strategy the Trustee adopts a Pensions Risk Management Framework ("PRMF"). This framework translates the principal goal of paying member benefits into measurable funding objectives and risk constraints, agreed by the Trustee. The PRMF objectives are reviewed and monitored by the Trustee on a quarterly basis.

The Trustee's statutory funding objective is to be fully funded on the Technical Provision basis. The Trustee also has a longer-term objective in which it aspires to achieve full funding on a "Self-Sufficiency" basis (defined as Gilts + 0.25% p.a.) by or around 2028.

The principal objectives are stated below:

1. Target an expected return on assets close to that required to meet the funding objectives within the PRMF;
2. Manage the investment risk including that arising due to mismatch between assets and liabilities, and limit the total risk of the Scheme below the risk budget set in the PRMF;
3. Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.

In respect of the three investment managers, investment management costs are based upon the size of the portfolio under management with the basis being detailed in the formal agreement between the Trustee and the principal investment manager, Schroders Investment Management Limited. The estimated aggregate management fee as at 31 March 2024 is calculated as being 0.19% of the total assets (excluding the buy-in).

##### **Asset Managers**

The Trustee relies on investment managers for the day-to-day management of the Scheme's assets but retains control over the Trust's investment strategy.

The investment managers manage the Scheme assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements ("IMAs") or pooled fund prospectuses. Upon investment, the Trustee and investment managers enter into this legally binding IMA/prospectus which stipulates the Trustee's expectations of its managers; alongside the investment guidelines they are required to operate under, the document lays out the kind of investment that may be held, the balance between different kinds of investments, different risks (including how they must be managed/monitored), the expected return on investment, the realisation of investments and how both financial and non-financial matters are taken into account. When the Trustee decides to invest in pooled investment vehicles, it recognises that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. In such instances, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee. The Trustee ensures that these agreements reflect relevant Trustee policies.



## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 MARCH 2024**

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This therefore incentivises the manager to act in line with Trustee policies.

The investment managers report to the FISC regarding their performance on a quarterly basis. Further, the Investment Consultant, on behalf of the Trustee, has a continuous open dialogue with all the investment managers in which the Trust invests, which encourages accountability on the investment managers to invest in line with Trustee policies. Finally, the Trustee can invite the investment managers to quarterly meetings or ad-hoc meetings.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. Prior to transitioning assets to Schroders, the Scheme had been invested in a segregated BlackRock Liability Driven Investment (LOI) fund and a BlackRock Protected Equities fund for at least 3 years. The Scheme was also invested in a segregated Insight Global Credit fund since August 2021, prior to the full disinvestment in August 2023. Since this date the Trustee is invested in a Schroders Segregated LOI fund, a Schroders Protected Equities fund, and a segregated Schroders Buy & Maintain Credit fund, explained below under the "Review of investment performance" section.

Before deciding to invest in an investment fund, the Trustee considers the proposed fees, and the expected investment return net of those fees, against the Trustee policies. These fees are prescribed in the IMAs which are reviewed from an investment and legal perspective upon investment. If at that point, the fees were not aligned with the wider market, the Investment Consultant would identify this in their investment review and alert the Trustee. Action would then be taken. The Trustee subsequently reviews the fees annually to confirm they are in line with the wider market. If the fees are outside of expectations, action would be taken to address this. Knowledge of this process of evaluation incentivises the managers to retain fees that are competitive and in line with expectations.

The Investment Consultant, on behalf of the Trustee, monitors managers to confirm that they are meeting the Trustee's requirements with respect to portfolio costs and portfolio turnover as part of their wider manager research process. All portfolio costs are considered when evaluating a fund's expected net of fee return. When investment returns are reported, these are compared to the relevant expected returns and benchmarks. While no set target is in place, if portfolio turnover or portfolio costs were unreasonable and out of line with the wider market, the Investment Consultant would communicate this to the Trustee and action would be taken.

#### **Review of investment performance**

In 03 2023, the Scheme fully transitioned the liquid portion of its portfolio to Schroders. This involved full disinvestments from the segregated BlackRock LOI fund (c.£285.1m), the BlackRock Protected Equities fund (c.£8.3m) and segregated Insight Global Credit fund (c.£164.4m). The Scheme invested the proceeds into a segregated Schroders LDI fund, Schroders Protected Equities fund and a segregated Schroders Buy & Maintain Credit fund. The reason for this transition was to consolidate the liquid assets (synthetic equity, credit and LDI) with a single manager in order to benefit from the operational efficiencies which this brings for the management of the assets. The key efficiency is that of collateral. The Scheme operates a leveraged LOI strategy and therefore requires eligible collateral to be held within the LOI portfolio to withstand increases in government bond yields. By using the same investment manager to manage the Scheme's LOI and Credit funds, the manager has direct sight of additional assets that can be sold and transformed quickly into eligible collateral, should the need arise.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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As of March 2024, the buy-in assets accounted for approximately 47% of total Scheme assets, Schroders Investment Management Limited is the principal investment manager of the Scheme's remaining DB section assets, holding approximately 50% of total Scheme assets, Equitix Investment Management Limited holds 3% of total Scheme assets, Threadneedle Pensions Limited holds less than 1% of total Scheme assets.

The assets are invested by the managers for the benefit of the Members to enable pensions to be paid as they fall due. It is the aim of the investment managers to generate the maximum returns whilst staying within the risk and return objectives set by the Trustee.

The allocation of the Scheme's investments, in terms of underlying investments at 31 March 2024 and 31 March 2023 were as follows:

	2024	2024	2023	2023
	%	%	%	%
<b>Total assets*</b>		<b>100</b>		<b>100</b>
<b>Return seeking</b>		<b>3</b>		<b>3</b>
Infrastructure equity fund		3		3
<b>Liability matching</b>		<b>97</b>		<b>97</b>
LDI portfolio		32		34
UK gilts	19		23	
Index linked securities	21		16	
Repurchase agreements	(11)		(20)	
Liquidity, cash and commitments	2		15	
Protected Equities**	1			
Corporate bonds		18		15
Buy-in		47		48

\* Both 2023 and 2024 Asset Values include AVC assets

\*\* The Protected Equities allocation shown represents the mark to market value (i.e. the cash value) of the portfolio, rather than the notional exposure to equity markets.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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#### Review of investment performance

##### Relative performance

The following table shows the performance of the Scheme against its historical benchmark. Performance data is sourced from the corresponding asset manager.

Years ending 31 March	LV= Scheme%	Benchmark%
2020	6.6	8.2
2021	0.7	-10.2
2022	-0.3	-6.0
2023	-11.8*	-13.1**
2024***	2.3*	2.6**

\*Scheme performance and benchmark performance calculated using annualised quarterly returns of the Scheme's investments over the period. Excludes buy-in.

\*\* Benchmark performance calculated using annualised quarterly benchmark returns of the Scheme's investments over the period. Excludes buy-in.

\*\*\* Please note that the 2024 performance includes LOI and Protected Equities performance by BlackRock and Credit performance by Insight for Q2 2023, and LOI, Protected Equities and Credit performance by Schroders for Q3 2023, Q4 2023, and Q1 2024.

Overall, the Scheme's performance has been in line with its benchmark over the past year. The Scheme's LDI portfolio fell in value over the year, as gilt yields increased. As the Scheme's LDI assets are designed to broadly offset the impact of changing interest rates and inflation on the value of the liabilities, this fall in asset value was also accompanied by a fall in the present value of the Scheme's liabilities. The Scheme's return-seeking assets achieved a small positive return over the year, in challenging market conditions, particularly rising inflation, rising interest rates, and ongoing fears of recession. The Trustee continues to monitor performance on a regular basis.

##### Calculation of transfer values

All transfer values paid during the year were calculated and verified in accordance with regulations made under the Pension Schemes Act 1993. In accordance with the direction of the Trustee no allowance for discretionary benefits has been made in the calculation of transfer values. No transfers were made at less than their cash equivalent.

The Trustee, after taking actuarial advice, has decided not to accept individual transfers into the Scheme from other pension arrangements except for transfers back from the LV= Future Savings section of The Aon MasterTrust.

##### DC Section

There are no performance against benchmark returns available for the DC funds as they were transferred to the LV= Future Savings section of The Aon MasterTrust in April 2023.

##### Monitoring the investment managers within the DC section

The manner in which the Trustee monitors the investment managers in the DB Section also applied to the DC Section. However, the DC Section assets were predominantly held in pooled funds and the Trustee recognised that the managers could not fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2024

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#### **The Pension Tracing Service, the MoneyHelper, the Pensions Ombudsman and The Pensions Regulator**

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, members are advised that:

- if they have general requests for information or guidance concerning pension arrangements contact MoneyHelper:  
Address: Holborn Centre, 120 Holborn, London EC1N 2TD  
Telephone: 0800 011 3797  
Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)
- if they have a complaint or dispute concerning a workplace or personal pension arrangement, they have the right to contact The Pensions Ombudsman free of charge:  
Address: 10 South Colonnade, Canary Wharf, E14 4PU  
Telephone: 0800 917 4487  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

In addition to the above The Pensions Regulator may intervene in the running of pension schemes where trustees, managers, employees or professional advisers have failed in their duties:

Address: Telecom House, 125-135 Preston Road, Brighton, BN1 6AF  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

Information regarding the Scheme has been given to the Pension Tracing Service. You can trace your pension by contacting the Pension Tracing Service:

Telephone: 0800 713 0193  
Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

The auditor and actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

## **LV= EMPLOYEE PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

**YEAR ENDED 31 MARCH 2024**

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#### **Internal disputes resolution procedure**

The Scheme operates an internal dispute procedure to enable any disputes to be settled fairly and quickly. A dispute may be raised by Members, spouses, or dependants of deceased Members or prospective Members.

In the first instance complaints should be in writing and addressed to the Pensions Partner, LV= Employee Pension Scheme, County Gates, Bournemouth BH1 2NF or e-mailed to [mypension@lv.com](mailto:mypension@lv.com) with a subject that starts 'Complaint'. If the complainant is dissatisfied with the reply to the complaint they may refer the case to the Secretary of the Trustee at the same address.

In the event that the problem is still not rectified a Member can refer the complaint to the Pensions Ombudsman whose address is shown above.

#### **Contact for further information**

Further information about the Scheme is available on its website at [www.lvpensionsvillage.co.uk](http://www.lvpensionsvillage.co.uk)

Any queries or complaints about the Scheme, including requests from individuals for information about their benefits or for a copy of Scheme documentation, should be sent to:

LV= Employee Pension Scheme  
WTW  
Sunderland  
SR43 4JU

Email address: [lv@wtwco.com](mailto:lv@wtwco.com)

Tel: 01737 788102

**Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:**

**Trustee Director: Huw Evans**

**Trustee Director: Mark Laidlaw**

**Date** 28-10-2024

**Date** 28-10-2024

## LV= EMPLOYEE PENSION SCHEME

### ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

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#### LV= Employee Pension Scheme

#### Schedule of Contributions - Actuarial Certificate

##### Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 March 2023 can be expected to be met by the end of the period specified in the recovery plan dated June 2024.

The contributions shown in this schedule are not lower than I would have set had I had responsibility for setting the schedule, the statement of funding principles and any recovery plan.

##### Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated June 2024.

Please note that the adequacy of contributions statement in this certificate relates to the scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature	A.S.Day.
Date	27 June 2024   09:02 BST
Name	Alec Day
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson <b>LLP</b>
Address	One London Wall, London, EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

## LV= EMPLOYEE PENSION SCHEME

### TRUSTEE'S STATEMENT ABOUT CONTRIBUTIONS

YEAR ENDED 31 MARCH 2024

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#### Statement of Trustee's responsibilities in respect of contributions (forming part of the Trustee's Report)

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 Scheme by or on behalf of the employer and the active Members of the Scheme 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 Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer 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.

#### Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and Member contributions payable to the Scheme under the Schedule of Contributions certified by the 1 June 2022 in respect of the Scheme year ended 31 March 2024. The Scheme auditor reports on contributions payable under the Schedule in their auditor's statement about contributions.

<b>Contributions payable under the Schedule in respect of the Scheme year</b>	<b>2024 £000</b>
Employer:	
Deficit	5,001
For expenses	2,986
<b>Contributions payable under the Schedule (as reported on by the Scheme auditor) and reported in the financial statements</b>	<b>7,987</b>

Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:

Trustee Director: Huw Evans

Trustee Director: Mark Laidlaw

Date 28-10-2024

Date 28-10-2024

## **LV= EMPLOYEE PENSION SCHEME**

### **INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE**

**YEAR ENDED 31 MARCH 2024**

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#### **Statement about contributions payable under the Schedule of Contributions**

We have examined the summary of contributions payable to the LV= Employee Pension Scheme, for the Scheme year ended 31 March 2024 which is set out on page 21.

In our opinion contributions for the Scheme year ended 31 March 2024 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 1 June 2022.

#### **Basis of opinion**

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

#### **Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active Members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active Members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedules of Contributions.

#### **Auditor's responsibilities for the statement about 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 report**

This statement is made solely to the Scheme's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

**Crowe U.K. LLP**  
Statutory Auditor  
Reading

**Date**



## **LV= EMPLOYEE PENSION SCHEME**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE**

**YEAR ENDED 31 MARCH 2024**

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#### **Opinion**

We have audited the financial statements of the LV= Employee Pension Scheme for the year ended 31 March 2024 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, 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; 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. We are independent of the Scheme 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**

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

## **LV= EMPLOYEE PENSION SCHEME**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE** *(continued)*

**YEAR ENDED 31 MARCH 2024**

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#### **Other information**

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 7, the Trustee is responsible for the preparation of the financial statements, 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 Scheme'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 Scheme or has 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.

## LV= EMPLOYEE PENSION SCHEME

### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

#### YEAR ENDED 31 MARCH 2024

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- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment managers and custodian of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions, including the transfer of the DC section to The Aon MasterTrust, are agreed to supporting documentation testing the authorisation of the amount of the transactions.
- Diversion of bulk annuity income due to the Scheme from annuity providers. This is addressed by testing that income received from the annuity providers is received in accordance with the agreement.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 Scheme's Trustee, as a body, in accordance with Regulation 3 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 Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Crowe U.K. LLP**  
Statutory Auditor  
Reading

**Date**

## LV= EMPLOYEE PENSION SCHEME

### FUND ACCOUNT

#### YEAR ENDED 31 MARCH 2024

	Note	DB Section 2024 £000	DC Section 2024 £000	Total 2024 £000	Total 2023 £000
<b>Contributions and benefits</b>					
Employer contributions		7,987		<b>7,987</b>	13,303
Total contributions	<b>5</b>	7,987		<b>7,987</b>	13,303
Transfers in	<b>6</b>	65		<b>65</b>	40
Other income	<b>7</b>				5
		8,052		<b>8,052</b>	13,348
Benefits	<b>8</b>	(42,902)	(72)	<b>(42,974)</b>	(43,501)
Payments to and on account of leavers	<b>9</b>	(1,630)		<b>(1,630)</b>	(13,647)
Group transfers out	<b>10</b>		(242,213)	<b>(242,213)</b>	
Administrative expenses	<b>11</b>	(2,956)		<b>(2,956)</b>	(2,699)
		(47,488)	(242,285)	<b>(289,773)</b>	(59,847)
<b>Net withdrawals from dealings with members</b>		(39,436)	(242,285)	<b>(281,721)</b>	(46,499)
<b>Returns on investments</b>					
Investment income	<b>12</b>	18,917		<b>18,917</b>	45,129
Change in market value of investments	<b>13</b>	(91,180)	3,406	<b>(87,774)</b>	(537,555)
Investment management expenses	<b>14</b>	(668)	(274)	<b>(942)</b>	(2,232)
<b>Net returns on investments</b>		(72,931)	3,132	<b>(69,799)</b>	(494,658)
<b>Net decrease in the fund during the year</b>		(112,367)	(239,153)	<b>(351,520)</b>	(541,157)
Transfers between sections	<b>16</b>	41	(41)		
<b>Net assets of the Scheme</b>					
At 1 April		1,038,622	239,194	<b>1,277,816</b>	1,818,973
<b>At 31 March</b>		<u>926,296</u>	<u>          </u>	<b><u>926,296</u></b>	<u>1,277,816</u>

The notes on pages 29 to 57 form part of these financial statements.

## LV= EMPLOYEE PENSION SCHEME

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 MARCH 2024

	Note	2024 £000	2023 £000
<b>DB Section</b>			
<b>Investment assets</b>	<b>13</b>		
Bonds		630,253	626,889
Pooled investment vehicles	17	49,250	88,895
Derivatives	18	8,066	26,756
Insurance policies	19	414,927	502,950
AVC investments	20	66	105
Cash and cash equivalent	21	7,911	59,622
Other investment balances	22	88,320	52,345
		<u>1,198,793</u>	<u>1,357,562</u>
<b>Investment liabilities</b>	<b>13</b>		
Derivatives	18	(456)	(16,309)
Cash and cash equivalents	21	(600)	(11,891)
Other investment balances	22	(272,910)	(291,925)
		<u>(273,966)</u>	<u>(320,125)</u>
<b>Total net investments</b>		<u>924,827</u>	<u>1,037,437</u>
<b>Current assets</b>	<b>28</b>	<b>5,253</b>	<b>5,472</b>
<b>Current liabilities</b>	<b>29</b>	<b>(3,784)</b>	<b>(4,287)</b>
<b>Net assets at 31 March</b>		<u>926,296</u>	<u>1,038,622</u>
<b>DC Section</b>			
<b>Investment assets</b>	<b>13</b>		
Pooled investment vehicles	17		239,194
<b>Net assets at 31 March</b>			<u>239,194</u>
<b>Net assets of the Scheme at 31 March</b>		<u>926,296</u>	<u>1,277,816</u>

The notes on pages 29 to 57 form part of these financial statements.

## **LV= EMPLOYEE PENSION SCHEME**

### **STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) *(continued)***

**AS AT 31 MARCH 2024**

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The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes account of such obligations, is dealt with in the Report on Actuarial Liabilities in the Trustee's report on pages 10 to 11 and these financial statements should be read in conjunction with this report.

**Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:**

**Trustee Director: Huw Evans**

**Trustee Director: Mark Laidlaw**

**Date** 28-10-2024

**Date** 28-10-2024

**The notes on pages 29 to 57 form part of these financial statements.**

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## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 1. General information

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's report.

#### 2. Basis of preparation

The individual financial statements of the LV= Employee Pension Scheme have been prepared on a going concern basis in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

#### 3. Comparative fund account

	Note	DB Section 2023 £000	DC Section 2023 £000	Total 2023 £000
<b>Contributions and benefits</b>				
Employer contributions		7,599	5,704	13,303
Total contributions	5	7,599	5,704	13,303
Transfers in	6		40	40
Other income	7	5		5
		7,604	5,744	13,348
Benefits	8	(42,721)	(780)	(43,501)
Payments to and on account of leavers	9	(3,837)	(9,810)	(13,647)
Administrative expenses	11	(2,699)		(2,699)
		(49,257)	(10,590)	(59,847)
<b>Net withdrawals from dealings with members</b>		(41,653)	(4,846)	(46,499)
<b>Returns on investments</b>				
Investment income	12	45,129		45,129
Change in market value of investments		(531,819)	(5,736)	(537,555)
Investment management expenses	14	(1,374)	(858)	(2,232)
<b>Net returns on investments</b>		(488,064)	(6,594)	(494,658)
<b>Net decrease in the fund during the year</b>		(529,717)	(11,440)	(541,157)
Transfers between sections	16	155	(155)	
<b>Net assets of the Scheme</b>				
At 1 April		1,568,184	250,789	1,818,973
<b>At 31 March</b>		<u>1,038,622</u>	<u>239,194</u>	<u>1,277,816</u>

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## **LV= EMPLOYEE PENSION SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2024**

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#### **4. 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 all the years presented, unless otherwise stated.

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

##### **Contributions**

Employer's normal, deficit and expenses contributions are accounted for as they fall due in accordance with the Schedule of Contributions.

##### **Transfers to and from other schemes**

Individual transfers in or out are accounted for when paid or received which is normally when Member liability is accepted/discharged. Group transfers out are accounted for in accordance with the terms of the transfer agreement.

##### **Benefits**

Pensions payable in respect of the Scheme year are accounted for by reference to the year to which they relate. Other benefits are accounted for in the year in which the Member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no Member choice, on the date of retirement or leaving.

##### **Expenses**

Expenses are accounted for by reference to the year to which they relate.

##### **Investment income**

Pooled investment vehicle income, other investment income and interest on cash deposits and bonds is accounted for by reference to the year to which it relates. Investment income is shown net of any tax withheld whilst any tax recoverable is included with the appropriate income.

Investment income arising from the underlying investments of the pooled investment vehicles which is reinvested within the pooled investment vehicles and reflected in the unit price is reported within 'Change in Market Value'.

Annuity income is accounted for on an accruals basis and included in insurance policies sales.



## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 4. Accounting policies *(continued)*

##### Investments

###### *Securities*

Bonds are stated at their clean prices and accrued income is accounted for within investment income. Pooled investment vehicles are valued at the bid price or single price where there are no bid/offer spreads as provided by the investment manager. The fees and costs of acquiring and disposing of investments are included in their purchase and sale price. Infrastructure and private equity funds are valued by the fund managers or their third party agents, where the underlying investments held within those funds are valued at their fair value. Where valuations from third parties are not available at the year end, the Trustee has established fair value by reference to recent arm's length transactions or other investments that are substantially the same.

Short sold bonds are stated at their clean prices and accrued income is accounted for as negative within investment income.

Change in market value of investments includes realised gains, unrealised gains and changes in the sterling value of assets (including cash) caused by exchange rates.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 4. Accounting policies *(continued)*

##### *Repurchase and reverse repurchase agreements*

Securities sold subject to repurchase agreements are included in the financial statements as assets of the Scheme at their year-end market value. The cash received is recognised as an asset of the Scheme and the obligation to pay it back is recognised as a payable amount and it is included under repurchase agreements in other investment liabilities.

The Scheme does not recognise as assets of the Scheme the securities received as collateral when it enters into reverse repurchase agreements. The Scheme does however recognise the cash delivered to the counterparty as receivable in these financial statements and it is included under reverse repurchase agreements in other investment assets.

##### *Derivatives*

Derivatives are stated at fair value.

Exchange traded derivatives are stated at fair value determined using market quoted prices. For exchange traded derivative contracts which are assets, fair value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, fair value is based on quoted offer prices.

OTC derivatives are stated at fair value using pricing models and relevant market data as at the year-end date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Investments are included at fair value, however because of the inherent uncertainty associated with the valuation of some of these investments due to the absence of a liquid market, these fair values may differ from their realisable value.

##### *Annuity insurance policies*

Annuity insurance policies with Standard Life Assurance Limited for 27 members (2023: 32 members) were valued by the Scheme Actuary at the year-end using the same actuarial assumptions adopted for on-going purposes in the triennial valuation of the Scheme. The annuity income is used to pay pensions of these members.

The valuation of the bulk annuity insurance policy with Phoenix Life Limited is based on the actuarial assumptions adopted for the ongoing purposes in the 31 March 2023 triennial valuation of the Scheme. Specifically, the discount rate used was the discount rate of the gilt yield curve as at 31 March 2024 to reflect the risk-free nature of the insurance policy. The membership data used in the valuation is as at 31 March 2023.

##### *AVCs*

AVG investments are included at the values provided by the AVG providers.

##### **Foreign currency conversion**

Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 5. Contributions

	2024		Total £000
	DB Section £000	DC Section £000	
<b>Employer contributions</b>			
Normal			
Deficit funding	5,001		5,001
For expenses	2,986		2,986
	7,987		7,987
		2023	Total
	DB Section £000	DC Section £000	£000
<b>Employer contributions</b>			
Normal		5,704	5,704
Deficit funding	5,001		5,001
For expenses	2,598		2,598
	7,599	5,704	13,303

With effect from 1 February 2008 employee contributions were included with employer normal contributions via a salary sacrifice scheme.

The Employer has paid the above contributions to the DB Section towards the deficit and costs of administration.

Deficit funding contributions of £416,777 per month are receivable up to 31 March 2028 in accordance with the Schedule of Contributions certified by the Scheme Actuary on 27 June 2024.

#### 6. Transfers in

	2024		Total £000
	DB Section £000	DC Section £000	
Individual transfers in from other schemes	65		65
		2023	Total
	DB Section £000	DC Section £000	£000
Individual transfers in from other schemes		40	40

#### 7. Other income

	2024		Total £000
	DB Section £000	DC Section £000	
Compensation received			

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**LV= EMPLOYEE PENSION SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2024**

**7. Other income (continued)**

	<i>2023</i>		
	DB Section	DC Section	<i>Total</i>
	£000	£000	£000
Compensation received	5		5

**8. Benefits**

	<b>2024</b>		
	DB Section	DC Section	<b>Total</b>
	£000	£000	<b>£000</b>
Pensions	39,014		<b>39,014</b>
Commutations and retirement lump sums	3,692		<b>3,692</b>
Purchase of annuities	8		<b>8</b>
Lump sum death benefits	188	72	<b>260</b>
Taxation where lifetime or annual allowance exceeded			
	42,902	72	<b>42,974</b>

	<i>2023</i>		
	DB Section	DC Section	<i>Total</i>
	£000	£000	£000
Pensions	37,895		37,895
Commutations and retirement lump sums	4,449	614	5,063
Purchase of annuities	8	152	160
Lump sum death benefits	272	14	286
Taxation where lifetime or annual allowance exceeded	97		97
	42,721	780	43,501

**9. Payments to and on account of leavers**

	<b>2024</b>		
	DB Section	DC Section	<b>Total</b>
	£000	£000	<b>£000</b>
Individual transfers out	1,630		<b>1,630</b>

	<i>2023</i>		
	DB Section	DC Section	<i>Total</i>
	£000	£000	£000
Individual transfers out	3,837	9,810	13,647

**10. Group transfers out**

	<b>2024</b>		
	DB Section	DC Section	<b>Total</b>
	£000	£000	<b>£000</b>
Group transfers out		<u>242,213</u>	<u><b>242,213</b></u>

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

#### 10. Group transfers out (continued)

	DB Section	2023 DC Section	Total
	£000	£000	£000
Group transfers out			

In April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme, were transferred to the LV= Future Savings section of The Aon MasterTrust.

#### 11. Administrative expenses

	DB Section	2024 DC Section	Total
	£000	£000	£000
Administration fees	567		567
Legal and other fees	1,127		1,127
Actuarial and consultancy fees	1,184		1,184
Audit fee	78		78
	2,956		2,956

	DB Section	2023 DC Section	Total
	£000	£000	£000
Administration fees	682		682
Legal and other fees	969		969
Actuarial and consultancy fees	970		970
Audit fee	78		78
	2,699		2,699

#### 12. Investment income

	DB Section	2024 DC Section	Total
	£000	£000	£000
Income from bonds	19,558		19,558
Income from pooled investment vehicles	853		853
Interest paid on repurchase transactions	(1,879)		(1,879)
Interest/(charges) on cash deposits	385		385
	18,917		18,917

	DB Section	2023 DC Section	Total
	£000	£000	£000
Income from bonds	47,730		47,730
Income from pooled investment vehicles	2,860		2,860
Interest paid on repurchase transactions	(5,478)		(5,478)
Interest/(charges) on cash deposits	17		17
	45,129		45,129

**LV= EMPLOYEE PENSION SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2024**

**12. Investment income (continued)**

Annuity income is reflected through investments.

Swap income is included in change in market value in Note 13.

**13. Investments**

**DB Section**

	<b>Value at 1 April 2023</b>	<b>Purchases at cost and derivative payments</b>	<b>Sales proceeds and derivative receipts</b>	<b>Change in market value</b>	<b>Value at 31 March 2024</b>
	£000	£000	£000	£000	£000
Bonds	626,889	974,115	(932,490)	(38,261)	<b>630,253</b>
Pooled investment vehicles	88,895	125,526	(165,674)	503	<b>49,250</b>
Derivatives	10,447	64,121	(72,561)	5,603	<b>7,610</b>
Insurance policies	502,950		(31,971)	(56,052)	<b>414,927</b>
AVG investments	105		(47)	8	<b>66</b>
	<u>1,229,286</u>	<u>1,163,762</u>	<u>(1,202,743)</u>	(88,199)	<u><b>1,102,106</b></u>
Cash and cash equivalents	47,731			910	<b>7,311</b>
Other investment balances	(239,580)			(3,891)	<b>(184,590)</b>
	<u>1,037,437</u>			(91,180)	<u><b>924,827</b></u>

**DC Section**

	<b>Value at 1 April 2023</b>	<b>Purchases at cost</b>	<b>Sales proceeds</b>	<b>Change in market value</b>	<b>Value at 31 March 2024</b>
	£000	£000	£000	£000	£000
Pooled investment vehicles	239,194		(242,600)	3,406	

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 13. Investments *(continued)*

The Trustee appointed Schroder Investment Management Limited as a new single manager, to manage both the Scheme's LOI and credit assets, which were previously split between BlackRock Investment Management Limited (LOI) and Insight Investment Management Limited (credit assets). This consolidation will improve the Scheme's collateral management process, benefit from operational efficiencies and future proof the asset portfolio. The transition to Schroder Investment Management Limited was completed in August 2023 when £357,473,000 of bonds were transferred in specie and £95,744,000 was transferred in cash.

In April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme amounting to £242.2m were transferred to the LV= Future Savings section of The Aon MasterTrust.

#### Transaction costs

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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, including profits and losses realised on sales of investments during the year.

#### 14. Investment management expenses

	2024		Total £000
	DB Section £000	DC Section £000	
Administration, management and custody fees	668	274	942

	2023		Total £000
	DB Section £000	DC Section £000	
Administration, management and custody fees	1,374	858	2,232

The DB Section fees for the year ended 31 March 2024 include investment manager and custodian fees of £668,000 (2023: £1,455,000) less OEIC fee rebates of **£Nil** (2023: £81,000).

#### 15. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

#### 16. Transfers between sections

	2024		Total £000
	DB Section £000	DC Section £000	
Transfers between sections	41	(41)	

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

#### 16. Transfers between sections (*continued*)

	2023		<i>Total</i> £000
	DB Section £000	DC Section £000	
Transfers between sections	155	(155)	

The transfers between sections for both years relate to DB Section members who had investments in the DC Section which were used to pay member payments from the DB Section.

#### 17. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2024		<b>Total</b> £000
	DB Section £000	DC Section £000	
Equities			
Bonds			
Diversified growth			
Property			
Cash	17,544		<b>17,544</b>
Venture capital trusts	1,610		<b>1,610</b>
Infrastructure fund	30,096		<b>30,096</b>
Multi asset			
	49,250		<b>49,250</b>

	2023		<i>Total</i> £000
	DB Section £000	DC Section £000	
Equities		196,723	196,723
Bonds		40	40
Diversified growth		1,769	1,769
Property	12	413	425
Cash	56,139	940	57,079
Venture capital trusts	1,612		1,612
Infrastructure fund	31,132		31,132
Multi asset		39,309	39,309
	88,895	<u>239,194</u>	<u>328,089</u>



## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 17. Pooled investment vehicles *(continued)*

The DC Section Multi asset funds were the Aviva My Approaching Retirement Fund, the Aviva My Balanced Growth Fund and the Aviva My Lump Sum Targeting Fund. The Aviva My Approaching Retirement Fund invested in fixed interest, derivatives, high yield bonds, reinsured funds and emerging markets. The Aviva My Balanced Growth Fund invested in fixed interest, derivatives, high yield bonds, reinsured funds and emerging markets. The Aviva My Lump Sum Targeting Fund invested in fixed interest, derivatives and cash/money market funds.

The DC Section diversified growth funds were the Aviva My Diversified Growth XE Fund and the Aviva My Diversified Growth (Active) XE Fund. The Aviva My Diversified Growth XE Fund invested in bonds, equities, property, commodities and the shares of infrastructure companies. The Aviva My Diversified Growth (Active) XE Fund invested in bonds, equities, transferable securities, derivatives, cash, deposits, collective investment schemes, warrants and money market instruments.

#### 18. Derivatives

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme. At the year-end the Scheme had the following derivatives:

		<b>2024</b>	
	DB Section	DC Section	<b>Total</b>
	£000	£000	<b>£000</b>
<b>Derivative assets</b>			
Futures			
Options	29		<b>29</b>
Swaps	7,954		<b>7,954</b>
Forward FX contracts	83		<b>83</b>
	8,066		<b>8,066</b>
<b>Derivative liabilities</b>			
Futures	(106)		<b>(106)</b>
Options			
Swaps			
Forward FX contracts	(350)		<b>(350)</b>
	(456)		<b>(456)</b>
	7,610		<b>7,610</b>

**LV= EMPLOYEE PENSION SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2024**

**18. Derivatives (continued)**

	DB Section £000	2023 DC Section £000	Total £000
<b>Derivative assets</b>			
Futures	166		166
Options	317		317
Swaps	24,510		24,510
Forward FX contracts	1,763		1,763
	26,756		26,756
<b>Derivative liabilities</b>			
Futures	(308)		(308)
Options			
Swaps	(14,899)		(14,899)
Forward FX contracts	(1,102)		(1,102)
	(16,309)		(16,309)
	10,447		10,447

*Objectives and policies*

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme. The main objectives for the use of derivatives are to facilitate efficient portfolio management and/or for risk management purposes. Futures, options, swaps and forward contracts are all permitted for these purposes. The investment guidelines for each manager has appropriate restrictions regarding the use of derivatives.

**Futures**

The Scheme had outstanding exchange traded futures at the year-end as follows:

<b>DB Section</b>					
<b>Nature</b>	<b>No. of contracts</b>	<b>Economic exposure £000</b>	<b>Expires</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
US 10YR NOTE	1	6,096	June 2024		(43)
EURO-BUND	1	7,920	June 2024		(63)
<b>Total 2024</b>		14,016			(106)
Total 2023		49,948		166	(308)

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

#### 18. Derivatives *(continued)*

##### Options

The Scheme had outstanding options at the year-end as follows:

<b>DB Section</b>					
<b>Nature</b>	<b>No. of contracts</b>	<b>Notional principal £000</b>	<b>Expires</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
North American Equity Put Options	15	1,002	< 1 year	29	
<b>Total 2024</b>		1,002		29	
Total 2023		1,011		317	

##### Swaps

The Scheme had derivative swap contracts outstanding at the year-end relating to its fixed interest investment portfolio. These contracts are traded over the counter (OTC). The details are:

<b>DB Section</b>					
<b>Nature</b>	<b>No. of contracts</b>	<b>Notional amounts £000</b>	<b>Expires</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
Inflation rate swaps	1	6,400	Aug 2024	993	
Interest rate swaps	6	37,578	2028-2038	1,281	
Total return swaps	15	49	To Feb 2025	5,680	
<b>Total 2024</b>		44,027		7,954	
Total 2023		315,610		24,510	(14,899)

The Scheme held collateral of £7,049,000 and pledged collateral of £213,000 in the form of UK gilts, UK index-linked gilts and cash at the 31 March 2024 (2023: held £5,174,000 and pledged £99,819,000) in respect of the swaps.

##### Forward foreign exchange

The Scheme had open OTC forward foreign exchange contracts at the year-end as follows:

<b>DB Section</b>					
<b>Contract</b>	<b>No. of contracts</b>	<b>Currency bought '000</b>	<b>Currency sold '000</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
Apr2024	2	GBP 8,678	EUR 10,052	83	(1)
Apr2024	3	GBP 44,306	USO 56,412		(349)
<b>Total 2024</b>				83	(350)
Total 2023				1,763	(1,102)

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 19. Insurance policies

	<b>2024</b>		<b>Total £000</b>
	DB Section £000	DC Section £000	
Annuities	<u>414,927</u>		<u>414,927</u>

  

	<b>2023</b>		<b>Total £000</b>
	DB Section £000	DC Section £000	
Annuities	<u>502,950</u>		<u>502,950</u>

On 29 May 2020, the longevity insurance agreement was converted to a bulk annuity insurance policy with Phoenix Life Limited providing benefit payments to the Scheme for the same members who were covered by the longevity insurance agreement. The insurance contract provided benefit payments to the Scheme in respect of all deferred pensioners aged 55 and over at 31 December 2011 together with benefit payments in respect of all covered pensioners at the same date together with contingent benefits (but excluding children).

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

#### 19. Insurance policies *(continued)*

The bulk annuity insurance policy with Phoenix Life Limited was valued by Hymans Robertson LLP using a GILTs based discount rate at £413,700,000 at 31 March 2024 (2023: £501,500,000). The value fell over the year, as UK government bond yields rose. As the Scheme's assets are designed to broadly offset the impact of changing interest rates/government bond yields and inflation on the value of the liabilities, this fall in value was also accompanied by a fall in the Scheme's liabilities.

##### *Key assumptions*

The value of the bulk annuity insurance policy with Phoenix Life Limited was set to be equal to the liabilities as determined on the basis applicable at 31 March 2024, following the principles laid out in the statement of funding principles agreed as part of the 31 March 2023 formal valuation of the Scheme (with the exception of the discount rate) and as detailed below. For 31 March 2023 valuations shown in this note the principles laid out in the statement of funding principles agreed as part of the 31 March 2021 formal valuation of the Scheme have been followed.

	Statement of Funding Principles - 31 March 2021	Statement of Funding Principles - 31 March 2023
Discount rate (pre and post retirement)	Gilt yield curve as at 31 March 2024 (in the technical provisions calculations, flat gilts discount rate used as a proxy for a risk-free rate to value the insured liabilities, given the secure nature of the insured benefits)	
Retail prices index (RPI)	Market expectation of future inflation dependent on term as measured by the difference between yields on fixed and index-linked government bonds	
Consumer prices index (CPI)	Price inflation (RPI) as derived above less 1% p.a. pre-2030, and less 0% p.a. post-2030	
Pension increases	In line with fixed increases or RPI inflation, subject to floors and caps as appropriate. Where floors, and caps apply to the level of pension increases awarded, then these are determined by applying swap market-implied volatilities to the appropriate inflation curve.	
Longevity - base tables	2021 VITA tables	2023 VITA tables
Longevity - future improvements	CMI 2020 model calibrated to Club VITA experience with no weighting to 2020 data, and initial addition to improvements of 0.5% ('A' parameter), increased smoothing ( $S_k = 7.0$ ) to reduce reaction to most recent data, long term rate of improvement of 1.75% p.a., tapering of long term rate to 0% p.a. over ages 90 to 120 and 'peaked' short term improvements.	CMI 2022 model, calibrated to Club VITA experience, with a 25% weighting to 2022 data, an initial addition to improvements of 0.25%, increased level of smoothing ( $S_k = 7.0$ ) to reduce the reaction to the most recent data, a long term annual rate of improvement of 1.50% p.a., tapering to 0% p.a. over ages 85 to 110 and with all other parameters in line with the core parameterisation of the model.

In order to calculate the value of the bulk annuity insurance policy with Phoenix Life Limited, the liabilities of the 3,587 members covered by the buy-in at 31 March 2023 have been projected forward to 31 March 2024 using approximate methods allowing for changes in financial assumptions.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 20. AVC investments

	2024		Total £000
	DB Section £000	DC Section £000	
Utmost Life and Pensions Limited (unit-linked)	58		58
Standard Life Assurance Limited (with-profits)	8		8
	66		66

  

	2023		Total £000
	DB Section £000	DC Section £000	
Utmost Life and Pensions Limited (unit-linked)	97		97
Standard Life Assurance Limited (with-profits)	8		8
	105		105

The Trustee holds assets invested separately from the main fund which secure additional benefits on a money purchase basis for those Members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year. The aggregate amounts of AVC investments are shown above.

In addition, there are AVCs of £1,753,493 (2023: £2,022,948) held within the core DB Section investments. There were 27 DB Section Members who had AVC investments in the DC Section investments managed by Aviva at 31 March 2023.

#### 21. Cash and cash equivalents

	2024		Total £000
	DB Section £000	DC Section £000	
<b>Cash assets</b>			
Sterling	6,248		6,248
Foreign currency	1,663		1,663
	7,911		7,911
<b>Cash liabilities</b>			
Sterling	(43)		(43)
Foreign currency	(557)		(557)
	(600)		(600)
	7,311		7,311

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**LV= EMPLOYEE PENSION SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2024**

**21. Cash and cash equivalents** *(continued)*

	DB Section £000	2023 DC Section £000	Total £000
<b>Cash assets</b>			
Sterling	57,141		57,141
Foreign currency	2,481		2,481
	59,622		59,622
<b>Cash liabilities</b>			
Sterling			
Foreign currency	(11,891)		(11,891)
	(11,891)		(11,891)
	47,731		47,731

**22. Other investment balances**

	DB Section £000	2024 DC Section £000	Total £000
<b>Other investment balances assets</b>			
Accrued income	4,895		4,895
Securities under reverse repurchase agreements	83,425		83,425
Outstanding trade sales			
	88,320		88,320
<b>Other investment balances liabilities</b>			
Securities under repurchase agreements	(188,683)		(188,683)
Outstanding trade purchases			
Accrued income	(824)		(824)
Other	<u>(83,403)</u>		<u>(83,403)</u>
	(272,910)		(272,910)
	<u>(184,590)</u>		<u>(184,590)</u>

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 22. Other investment balances *(continued)*

	DB Section	2023 DC Section	Total
	£000	£000	£000
<b>Other investment balances assets</b>			
Accrued income	4,244		4,244
Securities under reverse repurchase agreements	47,648		47,648
Outstanding trade sales	453		453
	52,345		52,345
<b>Other investment balances liabilities</b>			
Securities under repurchase agreements	(287,147)		(287,147)
Outstanding trade purchases	(790)		(790)
Accrued income	(3,988)		(3,988)
Other			
	<u>(291,925)</u>		<u>(291,925)</u>
	<u>(239,580)</u>		<u>(239,580)</u>

#### **Securities under repurchase agreements**

Since March 2015 as part of its change in investment portfolio and the introduction of an LOI portfolio the Scheme has entered into repurchase agreements using its UK government conventional and index linked gilts as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Scheme at their market value. At 31 March 2024 the market value of securities sold under repurchase agreements was £197.0m. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under investment liabilities. At 31 March 2024 this amounted to £188.7m (31 March 2023: £287.1m).

The Scheme has also entered into reverse repurchase agreements. At 31 March 2024 the market value of securities received as collateral in respect of reverse repurchase agreements was £83.9m. Amounts receivable from counterparties under reverse repurchase agreements are disclosed as assets in the Scheme's financial statements under investment assets. At 31 March 2024 this amounted to £83.4m (31 March 2023: £47.6m).

The Scheme also held collateral of £6,331,000 in the form of UK gilts and UK index-linked gilts at the 31 March 2024 in respect of the securities under repurchase agreements and reverse repurchase agreements (31 March 2023: £Nil).



## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 23. Defined contribution assets

Defined contribution section investments purchased by the Scheme were allocated to provide benefits to the individuals on whose behalf the contributions were paid.

Defined contribution investment assets were allocated as follows:

	<b>2024</b>	2023
	<b>£000</b>	£000
Allocated to Members		238,920
Trustee's unallocated account		<u>274</u>
		<u>239,194</u>

#### 24. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

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

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	<b>At 31 March 2024</b>			
	Level 1	Level2	Level 3	<b>Total</b>
	£000	£000	£000	<b>£000</b>
<b>DB Section</b>				
Bonds	459,153	171,100		<b>630,253</b>
Pooled investment vehicles		19,154	30,096	<b>49,250</b>
Derivatives	(105)	7,715		<b>7,610</b>
Insurance policies			414,927	<b>414,927</b>
AVC investments		58	8	<b>66</b>
Cash and cash equivalents	7,311			<b>7,311</b>
Other investment balances	(79,332)	(105,258)		<b>(184,590)</b>
	<u>387,027</u>	<u>92,769</u>	<u>445,031</u>	<u><b>924,827</b></u>

**LV= EMPLOYEE PENSION SCHEME****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2024**

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**24. Fair value determination (continued)**

	At 31 March 2023			Total £000
	Level 1 £000	Level2 £000	Level 3 £000	
<b>DB Section</b>				
Bonds	517,362	109,527		626,889
Pooled investment vehicles		57,750	31,145	88,895
Derivatives	(142)	10,589		10,447
Insurance policies			502,950	502,950
AVC investments		97	8	105
Cash and cash equivalents	47,731			47,731
Other investment balances	<u>(81)</u>	<u>(239,499)</u>		<u>(239,580)</u>
	564,870	(61,536)	534,103	1,037,437
<b>DC Section</b>				
Pooled investment vehicles		239,194		239,194
	<u>564,870</u>	<u>177,658</u>	<u>534,103</u>	<u>1,276,631</u>

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 25. Investment risk disclosures

##### Investment risks

FRS 102 requires disclosure of information on certain investment risks to which the Scheme is exposed. These are:

**Credit risk:** 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 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 or 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 its investment strategy after taking advice from the investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the Standard Life annuity or the AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

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#### 25. Investment risk disclosures *(continued)*

##### DB Section

##### Investment strategy

The investment objective of the Defined Benefit Section ("DB Section") is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB section payable under the trust deed and rules as they fall due. This is combined with an objective of achieving returns in excess of the growth of liabilities.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

Further information on the DB Section investment strategy can be found in the Trustee's Report under 'Investment objectives and strategy'.

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

Type	Market risk					2024 £'000	2023 £'000
	Direct credit risk	Indirect credit risk	Currency risk	Interest rate risk	Other price risk		
Bonds	●	0	●	●	0	630,253	626,889
Pooled investment vehicles							
Property funds	0	0	0	0	●		12
Cash funds	0	●	0	●	0	17,544	56,139
Venture capital trusts	0	0	0	0	0	1,610	1,612
Infrastructure funds	0	0	0	0	●	30,096	31,132
Derivatives							
Futures	0	0		●		(106)	(142)
OTC Options	●	0	●	0	●	29	317
OTC Swaps	●	0	●	0	●	7,954	9,611
OTC Forward FX contracts	●	0		0	0	(267)	661
Phoenix Life bulk annuity insurance policy	●	0	0	●	●	413,700	501,500
Cash deposits	0	0	0	0	0	7,311	47,731
Other investment balances	●	0	●	●	0	(184,590)	(239,580)
Total						<u>923,534</u>	<u>1,035,882</u>

In the above table, the risk noted affects the asset class (●) significantly, (0) partially or (0) hardly/not at all and relate to both the current and preceding year end. Please note that the Phoenix Life bulk annuity insurance policy risk sits with the insurer.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 25. Investment risk disclosures *(continued)*

##### (i) Credit risk

The DB Section is subject to direct credit risk as there is direct investments in bonds, over the counter derivative contracts, gilt repurchase agreements (contained within other investment balances) and the annuity insurance policy.

Over the counter derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. This is mitigated by daily collateralisation, by diversifying exposure across a number of counterparties and by the manager's ongoing assessment of the creditworthiness of each counterparty. Further details are provided in Note 18.

Credit risk on other investment balances (repurchase agreements) is mitigated through the use of a range of collateral arrangements as disclosed in Note 22.

Credit risk arising from the Phoenix Life bulk annuity insurance policy is mitigated through the use of a provider with the appropriate skill, processes and size to manage these assets, as well as the regulatory environment in which UK insurers operate. The Scheme is also protected by the Financial Services Compensation Scheme.

Prior to the purchase of the annuity policy with Phoenix Life a due diligence exercise was undertaken to mitigate credit risk.

Cash is held within financial institutions which are at least investment grade credit rated.

Pooled funds are generally unrated due to the nature of the investment. Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the pooled managers operate. The Trustee or its advisers carry out due diligence checks prior to the appointment of new pooled investment managers and monitor any changes to the operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	<b>2024</b>	<i>2023</i>
	<b>£000</b>	<i>£000</i>
UCITS Mutual Fund	<b>17,544</b>	<i>56,139</i>
Limited Partnerships	<b>31,706</b>	<i>32,756</i>
Total	<b>49,250</b>	<i>88,895</i>

The Scheme is also subject to indirect credit risk in relation to underlying investments held in the UCITS Mutual Fund (cash funds) and Limited Partnerships (which includes the venture capital trust, property fund and the infrastructure fund) as shown in the table above, although the proportion subject to credit risk will depend on the investment held at the time. The investment managers will consider the risk and expected reward when determining which investments to invest in. This was the case at the current and preceding year end.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 25. Investment risk disclosures *(continued)*

##### **(ii) Currency risk**

The Scheme is subject to direct currency risk on the bonds and derivatives. The Scheme is also subject to currency risk indirectly because a proportion of the infrastructure funds underlying investments are held in overseas markets although the proportion is dependent on the investments held at the time. The currency risk arising from the Scheme's Corporate Bonds with Schroders is fully hedged back to GBP by Schroders.

##### **(iii) Interest rate risk**

The Scheme is subject to interest rate risk because some of its investments are held in bonds, futures, swaps and gilt repurchase agreements. These investments are used to hedge interest rate risk arising from the Scheme's liabilities. Under this strategy, if interest rates fall, the value of liability driven investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability driven investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Scheme's cash funds and a proportion of the infrastructure funds as detailed in the table above are also subject to interest rate risk although this will vary depending on the investments held at the time. The interest rate exposure is taken by the investment manager as part of their investment strategies to add value and manage risk.

The Phoenix Life bulk annuity insurance policy is also sensitive to interest rates due to the value of the annuity policy depending on the present value of the insured cash flows. The interest rate risk is mitigated as the value of the asset and the value of the liabilities for those members covered by the insurance policy are opposite and equal.

##### **(iv) Other price risk**

Other price risk arises from the Scheme's venture capital trust, infrastructure funds and the futures, option and swap derivatives, although this will vary depending on the investments held at the time. The managers manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and this was the case at the current and preceding year end.

The Scheme obtains equity exposure via a volatility-controlled approach. The strategy has a 10% volatility target, and the amount of equity exposure is adjusted to achieve this target. In less volatile markets, the equity exposure is increased and in more volatile markets, the equity exposure is reduced. This strategy is implemented with OTC options and OTC swaps as detailed in Note 18 which provide downside protection against a sudden fall in equity markets.

The Phoenix Life bulk annuity insurance policy is also exposed to other price risk due to the value of the annuity policy being sensitive to inflation risk. The risk is mitigated as the value of the asset and the value of the liabilities for those members covered by the insurance policy are opposite and equal.

##### **(v) Longevity risk**

The Scheme converted its longevity swap to an annuity policy with Phoenix Life Limited in June 2020.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 25. Investment risk disclosures *(continued)*

##### DC Section

In April 2023 all Members' existing DC assets and AVCs held in the DC Section of the Scheme amounting to £242.2m were transferred to the LV= Future Savings section of The Aon Master Trust. The investment strategy and financial risks described below relate to the period to the DC Section bulk transfer in April 2023.

##### Investment strategy

The Trustee's objective was to make available to members of the Defined Contribution Section ("DC Section") an appropriate range of investment options designed to generate income and capital growth in order to provide a retirement amount with which the member could buy a pension when they retired (annuity), take their pension as a cash lump sum, leave it invested and take it out over time (drawdown) or do a combination of all three. Further details are provided in the Trustee's Report under 'Investment Objectives and Strategy'.

The day-to-day management of the underlying investments of the funds was the responsibility of the investment managers, including the direct management of credit and market risks.

The Trustee monitored the underlying risks by regular investment reviews of performance.

The risks disclosed relate to the DC Section's investments as a whole. Members were able to choose their own investments from the range of funds offered by the Trustee, and therefore, may have faced a different profile of risks from their individual choices compared with the DC Section as a whole.

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

#### 25. Investment risk disclosures *(continued)*

The following table summarises the extent to which various classes of investments were affected by financial risks:

Type	Indirect		Market risk		2024 £'000	2023 £'000
	Credit risk	Currency risk	Interest rate risk	Other price risk		
<b>Pooled investment vehicles</b>						
My Global Shares Fund	0	0	0	●		195,142
My UK Shares Fund	0	0	0			961
My Diversified Growth Fund	0	0	0	0		1,231
My Diversified Growth (Active) Fund	0	0	0	0		538
My Property Fund	0	0	(	●		413
My Pre-retirement (Annuity focused) Fund	0	0	●	0		40
My Cash fund	0	0	0	0		940
My Approaching Retirement Fund	0	0	0	0		3,363
My Balanced Growth Fund	0	0	0	0		33,428
My Emerging Market Equity Fund	0	●	0	●		196
My Ethical Global Equity Fund	0	●	0	●		329
My Islamic Global Equity Fund	0	●	0	●		95
My Lump Sum Targeting Fund	●	0	0	●		2,518
Total						<u>239,194</u>

In the above table, the risk noted affected the asset class (●) significantly, (0) partially or (0) hardly/ not at all.



## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

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#### 25. Investment risk disclosures *(continued)*

##### Direct credit risk

All DC Section investments held in Aviva's insured funds were subject to a direct credit risk in relation to Aviva. This is because Aviva provided the funds via a life insurance policy and so members held units in an Aviva Life Fund, which itself held units in the underlying fund. As such, there was direct credit risk with Aviva. However, members would have had Financial Services Compensation Scheme protection for up to 100% of assets lost in the event Aviva became insolvent.

Aviva is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitored the creditworthiness of Aviva on a regular basis. Aviva invested all the Scheme's funds in its own investment unit linked funds and it did not use other investment funds or reinsurance arrangements. In the event of default by Aviva the members may have been entitled to limited compensation from the Financial Services Compensation Scheme.

##### Indirect credit and market risk

The DC Section was also subject to indirect credit and market risk arising from the underlying investments held in the unit linked funds as detailed in the table above. Member level risk exposures were dependent on the funds invested by members. The Scheme managed these exposures by regularly monitoring the performance of the funds and allowing each member a diverse choice of investments across various markets.

#### 26. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2024		2023	
	£000	%	£000	%
Phoenix Life Limited bulk annuity insurance policy	413,700	44.7	501,500	39.2
Aviva My LV= Pension Plan				
Global Shares Fund XE			195,142	15.3

#### 27. Employer related investments

There were no employer related investments held during the year or at the year end.

#### 28. Current assets

	2024		Total £000
	DB Section £000	DC Section £000	
Contributions due in respect of:			
Employers	666		666
Other debtors and prepayments	2,100		2,100
Cash balances	2,487		2,487
	5,253		5,253

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 28. Current assets *(continued)*

	DB Section	2023 DC Section	Total
	£000	£000	£000
Contributions due in respect of:			
Employers	633		633
Other debtors and prepayments	2,093		2,093
Cash balances	2,746		2,746
	5,472		5,472

The contributions due at the year-end have been received by the Scheme following the year end in accordance with the Schedule of Contributions.

#### 29. Current liabilities

	DB Section	2024 DC Section	Total
	£000	£000	£000
Unpaid benefits	92		92
Other creditors and accruals	3,692		3,692
	3,784		3,784

  

	DB Section	2023 DC Section	Total
	£000	£000	£000
Unpaid benefits	353		353
Other creditors and accruals	3,934		3,934
	4,287		4,287

## LV= EMPLOYEE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2024

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#### 30. Related party transactions

The Scheme has paid benefits in respect of certain Trustee Directors who are members of the Scheme.

Administrative expenses for the year ended 31 March 2024 of £201,000 (2023: £189,000) were charged by the Principal Employer.

As at 31 March 2024 the Scheme owed £8,300 (2023: £8,300) to the Principal Employer in respect of its administrative expenses.

The Principal Employer paid the PPF levies of £81,198 (2023: £101,356) for the year ended 31 March 2024.

Two Trustee Directors, including the Chair of Trustee, who is also the Scheme's independent professional Trustee Director, received payment from the Principal Employer for their services.

During the year, the total payments made to Trustee Directors for their services to the Scheme amounted to £51,151 (2023: £56,477). As at 31 March 2024 the Scheme owed £15,525 (2023: £19,435) in respect of these fees.

The other Directors nominated by the employer, Members and pensioners do not receive any remuneration for performing their duties.

All of the above transactions were made in accordance with the Scheme Rules.

#### 31. Contingent liabilities and contractual commitments

Approved future capital expenditure and commitments for which no provision has been made in the accounts are as follows:

	<b>2024</b>	<i>2023</i>
	<b>£000</b>	<i>£000</i>
Venture capital trusts commitments	<b>243</b>	<i>248</i>
Equitix infrastructure fund commitment	<b>18</b>	<i>18</i>
	<b>261</b>	<i>266</i>

In the opinion of the Trustee the Scheme had no other contingent liabilities or contractual commitments as at 31 March 2024 (31 March 2023: £Nil).

#### 32. GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that benefits should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits which were earned by men and women between May 1990 and April 1997. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A ruling on 20 November 2020 confirmed that all previous transfers out dating back to 1990 will need to be revisited to assess whether a GMP equalisation uplift is required. The Trustee is now reviewing, with its advisers, the implication of this ruling on the Scheme in the context of the rules of the Scheme and the value of any liability. The estimated total past costs only relating to both rulings is estimated to be £0.6m on an accounting basis.

## LV= Employee Pension Scheme Statement of Investment Principles ("SIP") Implementation Statement

### 1. Introduction

This SIP Implementation Statement ("the Statement") has been prepared by The LV= Pension Trustee Limited ("the Trustee") in relation to the LV= Employee Pension Scheme ("the Scheme").

This Statement:

- Describes how the Trustee's policies on exercising voting rights and engagements have been followed over the year;
- Describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and states any use of the services of a proxy voter during that year; and
- Describes the engagement activity in respect of the Scheme's investments during the year.

Section
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This Implementation Statement covers the period 1 April 2023 to 31 March 2024, the Scheme's reporting year, in line with regulations.

In preparing this Statement, the Trustee has had regard to the Department for Work and Pensions' ("DWP's") 'Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance'.

### 2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme year

As set out in the *Voting: expectations and process* section of the SIP, the Trustee expect their managers to use as appropriate all the tools arising from their investments, including the rights and responsibilities associated with the instruments or other assets in which they invest. Since the scheme does not currently have any direct equity investments, no votes were cast on behalf of the Trustee.

As set out in the *Engagement: expectations and process* section of the SIP, active engagement with companies in which the Scheme is invested is delegated to the Scheme's investment managers. The Trustee expects its investment managers to actively engage with companies to preserve and improve the long-term value of investments while minimising adverse effects on the environment and society. Examples of how managers have engaged with underlying companies on the Trustee's behalf are outlined below in Section 4 of this statement.

Being cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, Redington provided the Trustee with stewardship and engagement training during the scheme year. A recommendation from this training was that the Trustee draft a stewardship policy to be included in the SIP, this was subsequently added in June 2023.

### 3. Voting behaviour

The Scheme fully disinvested from its holdings with Columbia Threadneedle (June 2022) and Aberdeen Standard Investments (September 2022) - both of which contained some direct equity investments - and therefore did not hold an equity portfolio during the Scheme year in question. No votes were cast on behalf of the Trustee during the 2023/4 Scheme year.

### 4. Engagement examples from the Scheme's managers over the year

To focus the engagement examples to those that are most relevant to the Trustee, the engagement examples from managers were collected with a focus on the Trustee's agreed theme of climate change.

#### Schroders - Direct Engagement

**Background:** Since 2021, the manager has had ongoing engagement with a North American bank to support its transition to Net Zero. These engagements took place both bilaterally and collaboratively with other institutional investors via the Institutional Investors Group on Climate Change (IIGCC). Schroders engagement encouraged the setting of emissions reduction targets, development of lending policies for high-emitting sectors, and climate reporting and disclosure.

**Action:** In January 2023, Schroders engaged with the bank to discuss their next wave of sector-based climate targets and their approach to physical risk assessment. The discussions focused on the credibility of the company's climate commitments, particularly regarding the funding of new fossil fuel projects. During this engagement, Schroders asked the company to publish a comprehensive client engagement report, outlining efforts the bank is taking to engage and support clients to decarbonise their businesses. They followed up the discussion by email with examples of best practice reporting from other banks. In April 2023, Schroders held a call with the Board Chair to discuss Schroders' approach to voting at the company's Annual General Meeting (AGM), including Schroders' views on shareholder resolutions relating to financing policy guidelines for sensitive sectors, e.g., on climate votes, and transition planning.

**Outcome:** Schroders felt encouraged by the company's progress on target setting and measurement of financed emissions. The bank had also set out its client engagement strategy and goals. Nevertheless, Schroders took the opportunity to encourage further progress on the bank's fossil fuel lending policy and absolute emissions targets.

#### Schroders - Direct Engagement

**Background:** Schroders has been engaging a British utility company on climate issues since 2010 to understand the challenges in managing electricity flows in the UK and how this can impact carbon emissions.

**Action:** In 2023, Schroders held technical and high-level discussions on the decarbonisation and efficiency of the British electricity grid network. In April, Schroders secured a site tour with the CEO at one of the company's substations which connected with an interconnector to Denmark - allowing for the import (largely wind) and export of power between both countries. The discussion delved into the use of SF6 gasses for circuit breakers, concerns around the use of the gas in circuit breakers, and the EU regulatory landscape. Schroders asked the company to evaluate alternative gasses and technologies for use in high voltage circuit breakers. In July, Schroders spoke with the Board Chair regarding the company's governance strategy, industry association participation, and renewable energy initiatives. The Chair detailed how they are reviewing trade associations and considering changes to business operations, such as the potential disposal of US gas grids, the value added through additional capacity installation, and their interest in the onshore and offshore transmission business. The discussion covered progress with the Accelerated Strategic Transmission Investment (ASTI) framework, including the implications of potential changes in energy policy and the integration of batteries for

better grid management.

**Outcome:** In November, Schroders reconvened with the CEO to clarify the company's net zero strategy. The CEO reiterated their commitment to achieving net zero emissions by 2050 and highlighted that detailed transition plans are released every five years, with the current plan released extending to 2026. During this time, Schroders also became a contributing investor to a working group convened by the Institutional Investors Group on Climate Change (IIGCC). Schroders collaborated on planning for 2024 engagements with the company, covering the just transition, community benefits, grid connections, lobbying, and the new transition plan. Schroders discussed the company again during the broader IIGCC utilities working group in December. Schroders will continue to monitor the company's progress towards their environmental commitments and look forward to additional dialogue on driving efficiencies and reducing emissions in the UK electricity network.

### **Insight - Direct Engagement**

**Background:** Insight engaged with a multinational drink and brewing company, which produces, distributes and sells beer and beverages. Insight previously engaged with the company on its low Prime governance rating of 4. The sub-factors that caused the poor governance rating were ethics and tax issues, which were driven mainly by controversies and disclosure issues.

**Action:** MSCI penalised the issuer for several issues around labour management. Firstly, on apparent evidence of limited collective agreements on working conditions, the issuer responded it does not disclose its collective agreement statistic, so MSCI's <25% statistic is not accurate. It further stated that collective agreement information is contained in its Form 20F and gave Insight some approximate statistics around the percentage of employees in several markets that are part of collective agreements. Secondly, on a perceived lack of labour standards in its supply chain, the issuer stated that it has a responsible sourcing policy in place, working closely with procurement teams to oversee the successful implementation of this policy. On ethics, Insight recommended that the issuer discloses the specific frequency of its ethics audits and extends ethics training to all employees. The issuer responded it does intend to publish the frequency of its audits and plans to increase ethics training. Insight also asked about how its policy on ethics had changed over the previous 24 months, given its Insight Prime governance rating had improved. Insight specifically asked around tax given it was a key issue at the last engagement. The issuer indicated that while there remains a disclosure gap around tax, it had increased its tax disclosures, whereby the company now publishes a tax report.

**Outcome:** The company's Insight Prime governance rating has improved from 4 to 3 over the last 18 months, driven by its improvement in ethics and specifically tax policy, especially with regard to disclosures. The remaining issue around labour management, which Insight Prime rates the issuer as 4.5, is partly due to a disclosure gap on collective agreements. However, the firm is planning to disclose this information via corporate social responsibility disclosures. Insight will continue to monitor progress on this front and on its KPIs.

### **Insight - Direct Engagement**

**Background:** Insight engaged with a large company in the medical device industry. Insight engaged with the issuer because its overall ESG score suffers from weak scores for product safety and quality which is a material topic for the company. This has been caused by several product recalls which MSCI regards as severe controversies. Insight discussed the issuer's internal changes to ensure better product quality and safety and how it engages with ESG ratings agencies.

**Action:** On its product quality and safety, the issuer has initiated a quality transformation programme to improve the quality function and strengthen the company's performance. For example, following a controversy related to one of the issuer's product recalls, the issuer has significantly revamped its complaint handling and

quality system. Regarding its engagements with ESG rating agencies the issuer engages with MSCI, DJSI and Sustainalytics.

**Outcome:** Insight will continue to monitor the changes the company is implementing to its product research and development programme; however, Insight does not expect any material changes to the company's ESG score in the short-term. The changes the issuer is implementing will need some time to take hold and produce results.

**Signed: Huw Evans**

**Chair of the Trustee Board of the LV= Employee Pension Scheme**

**Dated:** 24 September 2024