

# Summary funding statement 2021

For members of the LV=  
Employee Pension Scheme



# A message from the Trustee

It is my pleasure to share with you a summary of the financial position of the Defined Benefit (DB) section of the LV= Employee Pension Scheme (the Scheme) as at 31 March 2021. Although there has been a slight decrease in the overall funding position, I am pleased to confirm that the Scheme remains well funded and your benefits secure. The next update as at 31 March 2022 is due to be issued in November 2022.

The Trustee recently concluded the latest three-yearly funding assessment of the Scheme. I am grateful for the hard work of my fellow Trustee Directors, our advisers and a strong commitment to the process from LV=.

The headline figures show a slight decrease in the funding level of the Scheme over the year to 31 March 2021 (106% funded on 31 March 2020 to 104% funded on 31 March 2021). Between March 2020 and March 2021, LV= paid £5m in contributions to the Scheme while, at the same time, changes in market conditions meant that asset and liability values both remained relatively stable, although liabilities did increase by more than assets.

Every three years, the Scheme Actuary carries out a new formal valuation of the Scheme. On this occasion the Scheme's funding level had fallen since the previous formal valuation as a result of changes in the Trustee's assumptions, member experience over the three years, and the conversion of a longevity swap into a bulk annuity.

In December 2020, LV= announced that it had reached an agreement with Bain Capital on the acquisition of its Savings and Retirement, and Protection businesses. The transaction did not complete and LV= have since confirmed that they will continue forward as an Independent Mutual.

Naturally the Trustee continues to work closely with LV= to ensure the Scheme is treated fairly now and in the future. The funding agreement reached as part of the latest formal actuarial valuation demonstrates LV='s commitment to the Scheme and the Trustee remains confident that this support will continue. Please rest assured that the Trustee will take any action necessary to support the on-going objectives of the Scheme.

In 2022, we've seen the unfolding conflict in Ukraine have an impact on our everyday lives as well as on investment markets. The volatility fed through into markets with equities declining and bond yields rising. Commodity prices soared given Russia and Ukraine are key producers of several important commodities



including oil, gas, and wheat. This contributed to a further surge in inflation as well as supply-chain disruptions.

Fortunately the Scheme's direct exposure to Russian and Ukrainian assets is very minimal. Given current restrictions, it may not be possible to completely sell these assets in the short term but the Trustees will continue to monitor the position with their investment advisers. The Scheme's investment strategy is relatively low risk, investing across a wide variety of investments to avoid being overly-reliant on one type of asset or region. The Scheme also has a high level of hedging against interest-rate and inflation risks in order to protect the current level of funding against high levels of market volatility as seen over the last 12 months.

I let you know previously about the ruling made by the High Court to ensure gender equality in the treatment of a part of your pension called the Guaranteed Minimum Pension, or GMP. As a reminder, this may affect your benefits if you were

an active member of the Scheme at some point between 17 May 1990 and 5 April 1997. The issue, referred to as 'GMP equalisation' is, as expected, taking some time to fully resolve but the Trustee continues to closely observe the developments and is working with its advisers to address the issues raised by the High Court judgments.

This last year has seen a couple of changes to the Trustee Board. We said goodbye to Jason Mallen and Lynzi Harrison and would like to thank them for their service to the Trustee Board. I would also like to welcome Emma Woodford who I am sure will be a great asset to the Board. We will be shortly running a Member Nominated Director exercise to fill the current vacancies on the Board.

Finally, I would like to thank my fellow Trustees and advisers for their continued commitment, service and support over the year.

**Huw Evans**

Trustee Chairman  
For and on behalf of The LV=  
Pension Trustee Limited

# What is a funding assessment?

Put simply, we compare how much money the Scheme has (its assets) to what it ought to have in order to be confident of paying all benefits in the future (its liabilities). If there is a shortfall, we look at the best way to make up the difference.

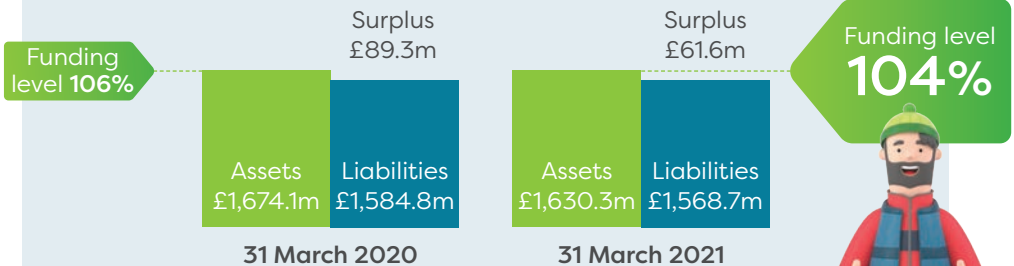
We have a Scheme Actuary who does the calculation for us. He does this using assumptions about the future that the Trustee agrees with LV= after taking actuarial advice. These include assumptions about possible future financial changes and the demographics of the Scheme. Both parties take separate professional advice before agreeing the assumptions.

The scheme funding legislation requires that an in-depth assessment be carried out at least every three years and an annual actuarial update is provided between in-depth assessments. We continue to check the funding position regularly in between as well, but without going into the same level of detail. The next in-depth assessment is due 31 March 2024.

## How well funded is the Scheme?

The last summary funding statement we sent to you included the results of the funding assessment of the Scheme as at 31 March 2020, which showed that the funding level was 106%. Since then, the Trustee has undertaken a full funding assessment as at 31 March 2021 and the results are shown below. The funding level fell over the year to 104% at 31 March 2021 but the Scheme remains well funded. The fall was mainly due to changes in market conditions, changes to the assumptions about the future used in the calculations, and the conversion of a longevity swap to a bulk annuity policy. It was mitigated by contributions received from LV=.

Here are the results of the last funding update and the full funding assessment in more detail:



The overall position of the Scheme remains healthy.

## What financial commitment has LV= made to the Scheme?

Following the full funding assessment at 31 March 2021, the Trustee and LV= agreed that LV= will pay into the Scheme regular monthly contributions, totalling £5m each year, until March 2028.

It also agreed to continue to make payments to cover running costs, the cost of the Pension Protection Fund levy and other Scheme levies, plus any other exceptional expenses that may come up.

As required by law, the Trustee confirms that no payments have been made to LV= out of the Scheme's fund since the date that the last Summary Funding Statement was sent to you. Also, The Pensions Regulator has not exercised its statutory powers to modify the Scheme's benefits or to influence the outcome of the valuation or the contributions to be paid to the Scheme.

**£5m**  
Paid in to the Scheme each year by LV=



## More about the Scheme

### How is the Scheme funded?

The main funding for the Scheme comes from its assets. These are held in trust and used to pay benefits to members. The trust is a legally separate entity from LV= and is managed by the Trustee. Regular funding assessments reveal whether the assets are expected to be enough to cover members' benefits. If they reveal a shortfall then LV= may be asked to pay additional contributions.

### What is the significance of LV='s support?

If the funding position of the Scheme gets worse, the Trustee relies on LV= providing additional, normally financial, support. Therefore, the Trustee relies on the continuing good health of LV=. The Trustee regularly monitors, and is currently happy with, the ability and willingness of LV= to support the Scheme.

# More about the Scheme continued

## What if the Scheme were to wind up?

Winding up means closing the Scheme and ending the trust, with your benefits being moved to an insurance company. This often occurs when a company is unable or unwilling to continue to financially support a pension scheme.

It's important you understand that there's no intention to wind up our Scheme, but the law requires us to let you know some information about this scenario.

Had a wind-up occurred on 31 March 2021, the Scheme Actuary estimated that the assets of the Scheme would have secured around 84% of benefits earned to that date and it would have been necessary to ask LV= to fund the shortfall. If the Scheme were wound up, LV= would have to pay enough money to the Scheme to secure all the benefits built up by members with an insurance company. If LV= couldn't afford this, the Scheme would apply for entry to the Pension Protection Fund (PPF).

The PPF was set up to pay compensation to members of eligible defined benefit pension schemes, where a scheme doesn't have enough assets to cover the cost of paying the minimum level of benefits to members. If the Scheme were admitted to the PPF, compensation would be provided by the PPF. This compensation would be a substantial proportion of your benefits built up (although full compensation would not be provided).

Further information and guidance is available on the PPF's website at: [www.ppf.co.uk](http://www.ppf.co.uk)

## What other funding documents are there?

The following documents are available on request:

- ✓ The Statement of Investment Principles (also available on the LV= Pensions Village website)
- ✓ Implementation Statement (also available on the LV= Pensions Village website)
- ✓ The Statement of Funding Principles
- ✓ The Schedule of Contributions
- ✓ The Scheme Actuary's report on the funding assessment
- ✓ The Annual Report and Accounts (also available on the LV= Pensions Village website)

If you would like copies of any of the documents mentioned, or you would like any more information, please contact WTW (contact details on back page).

# Explaining pension terms

## **Assets**

The actual amount of money held by the Scheme.

## **Deficit**

The extent to which the assessed value of the liabilities is greater than the value of the assets.

## **Funding assessment**

An in-depth look at the Scheme's finances, carried out at least every three years.

## **Funding level**

The ratio of the value of the assets to the assessed value of the liabilities.

## **Funding update**

An approximate update of the Scheme's finances, carried out in years when a full funding assessment is not completed.

## **Liabilities**

The amount of money estimated, based on certain financial and demographic assumptions, to be needed to provide the benefits earned by members, together with the pension benefits already in payment.

## **LV=**

Liverpool Victoria Financial Services Limited.

## **Scheme Actuary**

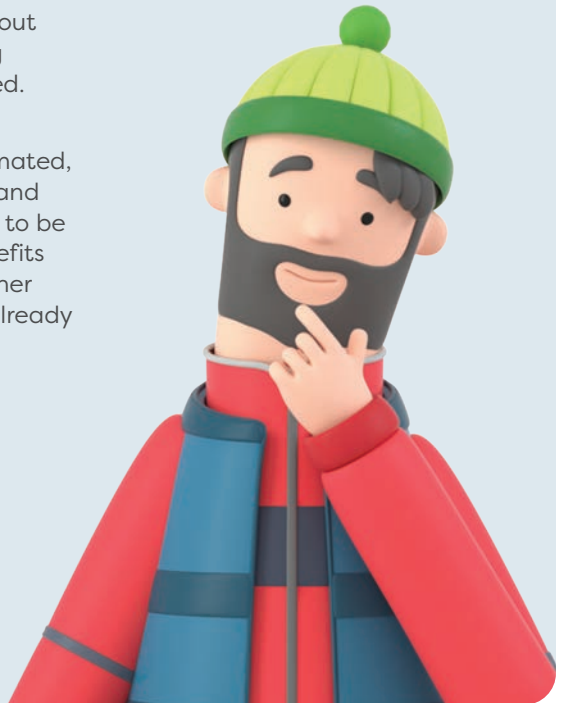
The qualified, independent professional appointed by the Trustee to examine the Scheme's finances and assess its financial health.

## **Surplus**

The extent to which the assessed value of the liabilities is less than the value of the assets.

## **Trustee**

The LV= Pension Trustee Limited is a company whose directors consist of up to four persons nominated by LV= and three nominated directors from the Scheme membership.



# Contact us



Visit the LV= Pensions Village website for all the information, documents and tools to help you make the most of your Scheme benefits:

[www.LVpensionsvillage.co.uk](http://www.LVpensionsvillage.co.uk)

**If you have a query about your DB section benefits, please use the following contact details:**



The LV= Employee Pension Scheme  
WTW  
PO Box 545  
Redhill  
Surrey  
RH1 1YX



01737 788102



[LV@willistowerswatson.com](mailto:LV@willistowerswatson.com)

**Also contact WTW to:**

- ✓ Update your address
- ✓ Report a change of bank details
- ✓ Request a new expression of wish form (also available on the LV= Pensions Village website)
- ✓ Request a copy of the Annual Report and Accounts (also available on the LV= Pensions Village website)

This statement has been prepared by the Trustee of the LV= Employee Pension Scheme to provide general information about the Scheme's funding position and should not be relied upon in any action you may take, nor should it be seen as attempting to provide you with any advice.