

# Summary Funding Statement 2022

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 2022 and as at 31 March 2023. I apologise for the delay in issuing this summary.

I am pleased to confirm that the Scheme remains well funded and your benefits are secure. The Trustee has decided to bring forward the next in-depth valuation to 31 March 2023, so the next update will be issued once this process has been completed.

For the year to 31 March 2022, the headline figures show a slight improvement in the funding level of the Scheme (from 104% funded on 31 March 2021 to 108% funded on 31 March 2022). Although returns on the Scheme's assets had been less than expected between March 2021 and March 2022, this was offset by both a reduction in the value of the liabilities and the £5m in contributions LV= paid to the Scheme, resulting in the overall increase.

For the year to 31 March 2023, there has been a reduction in the funding level of the Scheme (from 108% funded on 31 March 2022 to 98% funded on 31 March 2023).

It's important to remember that valuations are conducted at a single point in time and the position can change from one valuation date to the next. We continue to monitor the funding position, particularly in light of adverse global events that took place during 2022.

The outlook for financial markets has been unusually uncertain during 2022

and the first half of 2023, starting with the conflict in Ukraine early in the year leading to soaring prices for certain commodities (including oil, gas, and wheat). This was followed by the continued rise in inflation and the Government's mini budget on 23 September 2022. We understand you might be concerned about the impact this volatility could have on your pension; however, it is worth noting that the Scheme is managed with low risk levels and the Scheme's funding position has remained strong, with liquidity maintained, throughout this volatile period.

With the pandemic, high inflation and the rising cost of living, many people are facing money worries. Unfortunately, scammers are using the current economic situation to exploit those worries. Please remain vigilant – you can find out more about spotting the signs of a pension scam on the LV= Pensions Village website at [www.lvpensionsvillage.co.uk/general\\_pension\\_information/pension\\_scams](http://www.lvpensionsvillage.co.uk/general_pension_information/pension_scams)



The website also provides a link to MoneyHelper, a free Government service that can provide scam-specific advice and also help if you have any concerns about your finances.

The Normal Minimum Pension Age (NMPA) is the lowest age under law that you can typically access your pension benefits, although there are exceptions in certain situations e.g. if you retire due to ill health. The current NMPA is 55 and this is due to rise to 57 from 6 April 2028. This means that for most Scheme members looking to retire early after 6 April 2028, the earliest you will be able to access your LV= pension benefits will be age 57, unless you have a Protected Pension Age within the Scheme. If you are thinking about retiring early, please factor this change into your planning.

The Trustee Board has seen a few changes over the last year. We said goodbye to Laura Johnson and David Green and would like to thank them for their contribution to the Board. We welcomed Chris Agius, Laura's replacement, along with Joe McCormick and Bill Miller who were the

successful candidates of the Member Nominated Director exercise. I am sure they will be great assets to 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 Chair

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 will likely need to pay all benefits in the future (its liabilities). If there is a shortfall, we look at the best way to make up the difference.

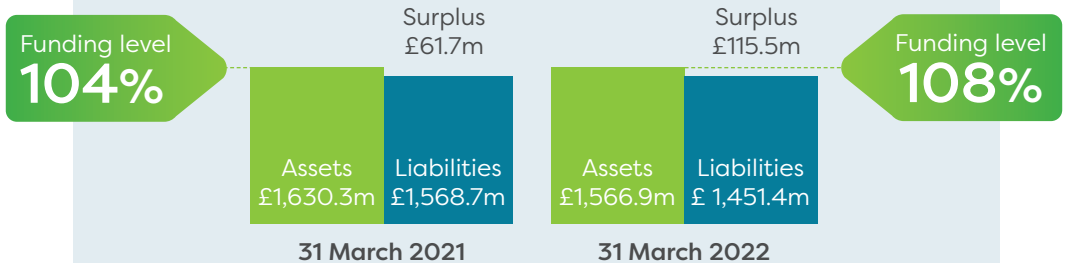
We have a Scheme Actuary who does this calculation for us. He does this using assumptions about the future that the Trustee agrees with LV= after taking actuarial advice. These include assumptions about possible future financial changes and the demographics of the Scheme. Both parties take separate professional 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 Trustees have decided to bring the next in-depth valuation forward to 31 March 2023.

## How well funded is the Scheme?

The last Summary Funding Statement we sent to you included the results of the in-depth funding assessment of the Scheme as at 31 March 2021, which showed that the funding level was 104%. During the following year the funding level improved to 108% by 31 March 2022. This increase can be attributed to a reduction in the value of both the assets and liabilities due to changes in market conditions, and the £5m in contributions LV= paid to the Scheme.

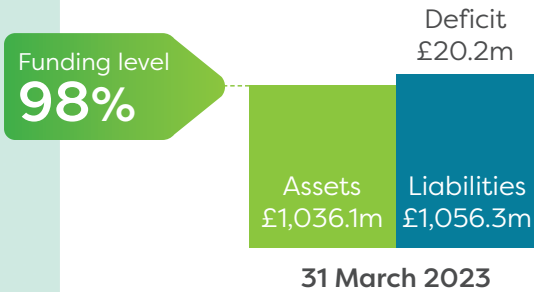
Here are the results of the last full funding assessment and the annual funding update in more detail:



Please note that figures have been rounded so may not total exactly.

## Changes since 31 March 2022

We are currently in the process of carrying out a formal valuation of the Scheme. However, we have included the estimated funding level of the Scheme at 31 March 2023 to highlight that we are still in a strong position, despite the recent uncertainty in the market. During the year from 31 March 2022 to 31 March 2023, the funding level fell to 98%. Both the Scheme's assets and the liabilities fell substantially, mainly driven by rises in Government bond yields, with the assets falling by more than the liabilities. LV= has continued to make contributions in line with the agreed schedule of £5m this year.



## 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 regular monthly contributions into the Scheme, 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.



# 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= to provide additional support, normally of a financial nature. 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.

## 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 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\*
- ✓ Implementation Statement\*
- ✓ The Statement of Funding Principles
- ✓ The Schedule of Contributions
- ✓ The Scheme Actuary's report on the funding assessment
- ✓ The Annual Report and Accounts\*

\*These documents are also available on the LV= Pensions Village website at [www.lv-pensionsvillage.co.uk/resources/documents](http://www.lv-pensionsvillage.co.uk/resources/documents)

If you would like copies of any of the documents mentioned, or you would like any more information, please contact WTW (contact details are on the 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.lv pensionsvillage.co.uk](http://www.lv pensionsvillage.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@wtwco.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.