Lloyd's Register

Pensions Newsletter 2024

For deferred and pensioner members of the Defined Benefit (DB) Section of the Lloyd's Register Superannuation Fund Association (LRSFA).

Inside this issue

Working together for a safer world

Chair's welcome

Welcome to your annual newsletter for 2024

In this edition you'll find an update on the Scheme's finances, as well as news from the Scheme and the world of pensions.

In September the Trustee made changes to the fund options available in the Defined Contribution Section (DC) of the scheme. Read more about the benefit improvements on page 8.

On page 9 you can read a reminder about the buy-in insurance policy for the Defined Benefit Section (DB) of the LRSFA, which the Trustee invested in to improve the security of the members DB benefits. Under the new insurance contract:

- Standard Life has been chosen by the Trustee as its insurance company;
- The Trustee remains responsible for paying the benefits due to all members and beneficiaries (including future pension increases); and
- Lloyd's Register Group Limited, and other participating employers, is still the Principal Employer of the Scheme and remains ultimately responsible for supporting the Scheme.

The Trustee considers this to be a positive step for the Scheme.

In our last newsletter, we told you about changes to the Annual Allowance and Lifetime Allowance (LTA). The LTA was abolished in 2024, and there were some further changes to other pension tax allowances. We've included all the information you need to know on page 10.

Over the next year, one of our areas of focus will be working on the next full actuarial valuation of the Scheme, which is due as at 31 March 2025.

If you have any questions about your pension benefits, please contact XPS, the Scheme's administrator. You can get in touch with them using the contact details on the back page.

I hope you enjoy reading this year's newsletter. The Trustee Board is always keen to ensure that you stay up to date with the latest developments. If you would like to share any feedback with us, please don't hesitate to get in touch using the details on the back page.

Nicholas Godden
Trustee Board Chair

Company update

Chief Executive Officer Nick Brown provides a round-up of the latest Company news

Our transformation continues

Lloyd's Register (LR) was re-organised a year ago to future proof our operations in line with changing industry needs. This transition includes the introduction of the Digital Workbench and Global Technical Client Care team, both of which aim to streamline processes and ensure that we continue to provide a high level of service to our clients.

In September we also announced LR's intended acquisition of maritime e-learning provider Ocean Technologies Group (OTG), which directly supports our strategic intent to be a complete maritime technical professional services business, and a trusted provider of compliance, digital, data and advisory solutions to enable digitalisation and decarbonisation.

Business performance

During the financial reporting year to June 2024, LR Group's statutory operating loss was £15m, with an adjusted operating profit of £28m. This compares to an operating loss for the year to June 2023 of £8m and an adjusted operating profit of £34m.

Turnover was £547m compared with £517m in the previous year. The increase in turnover is attributed to a strong New Construction market with an increase in demand for new and more complex ships. We have also benefited from higher survey numbers, price increases for outside block fee renewals, and growth in our recent acquisition OneOcean.

LR Group's contribution to the LR Foundation was £20m during the year to June 2024 (£22m during the year to June 2023).

Our strategy for growth

Many shipowners investing in new building programmes are coupling these projects with their decarbonisation strategies and helping to act as first movers ahead of the changing regulatory framework. These include the International Maritime Organization's latest GHG targets, as well as the new EU ETS and upcoming FuelEU Maritime requirements.

With the acquisition of OTG, we will be able to provide a complete end-to-end energy transition solution for clients from LR's advisory studies and risk assessment on alternative fuels and the implementation of energy saving devices, through to the classification and training and development of seafarers.

Digitalisation and increased automation are also evolving at speed, creating a rapidly changing landscape. Here, LR is leading through LR OneOcean.

People

Our commitment to equality and diversity is reflected in our membership of the All Aboard Alliance. Launched by the Global Maritime Forum two years ago, the Alliance is a community of 26 leading shipping organisations that works to improve diversity, equity, and inclusion (DEI) in the maritime industry. LR is also a member of the Diversity Study Group Ltd, which was set up in 2018 and is dedicated to DEI in the workplace across the global shipping and maritime sectors.

Collaboration

LR is a collaborative organisation, based on the charitable status of Lloyd's Register Foundation, whose mission is to engineer a safer world. We are deeply embedded in several industry collaborations, reflecting our commitment to help the entire sector move forward safely to net zero.

The LR Maritime De-carbonisation Hub (MDH) – a joint collaboration between Lloyd's Register Group and Foundation – is focussed on human safety and fuel adoption programmes for the energy transition. In February 2024, the MDH announced that it is collaborating with five leading Greek shipowners to establish the Maritime Emissions Reduction Centre (M-ERC) in Athens. The not-for-profit company aims to remove technical, investment and community barriers to the uptake of solutions to reduce the current global fleet's GHG emissions.

We are active members of Together in Safety (TinS), the non-regulatory industry safety consortium dedicated to connecting the maritime sector to improve safety performance.

Our future

Safety continues to be at the heart of everything we do. Rapid advances in technology and the need to move quickly in terms of the energy transition and digitalisation will inevitably lead to new risks and safety issues.

These are exciting, fast-changing, transformative and demanding times for maritime.

However, LR will never forget the basics – protecting people and assets, looking after our clients, investing in our colleagues, and pursuing safety above all else. We are proud of our history as a maritime safety organisation and are determined to protect and enhance the LR brand as a trusted advisor, whilst we continue to evolve and grow our business to meet the challenges and opportunities ahead.

Summary Funding Statement

Results of the latest valuation and funding update

The most recent full actuarial valuation was carried out as at 31 March 2022. You can find the results of the 2022 full valuation below, alongside the two most recent funding updates as at 31 March 2023 and 31 March 2024.

What is an actuarial valuation?

An actuarial valuation is a detailed financial review of the Scheme. It compares the Scheme's assets with its liabilities to determine the Scheme's funding level. The Actuary will estimate the total value of pension payments that may be made in the future (the liabilities), as well as how much the Scheme's assets might grow. If the liabilities are greater than the assets, the Scheme is in deficit, and its funding level will therefore be less than 100%. If the assets outweigh the liabilities, the Scheme is in surplus, and its funding level is therefore more than 100%.

	Previous full valuation as at 31 March 2022	Funding update as at 31 March 2023	Funding update as at 31 March 2024
Assets	£1,077m	£786m	£743m
Liabilities	£1,054m	£773m	£709m
Funding level	102%	102%	105%
Surplus	£23m	£13m	£34m

What is the context behind these changes in financial position?

Over the year to 31 March 2024, the reduction in asset value was less than the reduction in the liabilities, leading to an increase in the overall funding level of the Scheme

Jargon buster

Assets: The total money held in a defined benefit pension scheme, usually built up from Company and member contributions and investment returns.

Liabilities: The estimated cost of providing benefits to members.

Deficit: When there are not enough assets to cover a scheme's liabilities.

Surplus: When there are more assets than are needed to cover a scheme's liabilities.

Wind-up position

We are required by law to let you know what would happen if the Scheme were to wind up. This does not mean there is any intention of winding up the Scheme. The last full valuation as at 31 March 2022 concluded that, if the Scheme were to wind up, the Company would have to have made an additional contribution of around £52m million to ensure an insurance company could pay all members' pensions in full. If Lloyd's Register Group Limited became insolvent, and was unable to cover the shortfall, the Pension Protection Fund (PPF) would pay part of the benefits due to members as compensation.

You can find more information about the PPF at ppf.co.uk

Legal confirmations

We have to let you know that, in the last 12 months:

- There haven't been any payments from the Scheme to the Company.
- The Pensions Regulator (TPR) hasn't modified or used any of its powers in relation to the Scheme.

The financials

The figures below show how the assets of the DB Section have changed over the past year, and their overall value as at 31 March 2024

	£000s
Net assets of the DB Section as at 1 April 2023:	**785,527**
Cash received	
Contributions	402
Other income	2
Total	**404**
Cash paid out	
Benefits paid or payable	(36,225)
Administration expenses	(2,893)
Leavers	(1,212)
Other payments	(292)
Total	**(40,622)**
Returns on investments	
Investment income	29,811
Change in market value of investments	(32,178)
Investment management expenses	(764)
Net returns on investments	**(1,603)**
Net decrease in the fund over the year	**(41,821)**
Transfers between sections	**(413)**
Net assets of the DB Section as at 31 March 2024:	**743,293**

Brackets indicate minus numbers.

Scheme membership

Membership figures

Following the closure of the DB Section to future accrual on 30 September 2010, employees now build up benefits in an alternative pension arrangement known as the Defined Contribution (DC) Section. The graphic below shows the combined membership figures of both the DB and DC Sections of the Scheme.

	Members in service*	Deferred members**	Pensioners	Dependants
2023	919	4,266	1,740	467
2024	1,005	4,154	1,763	476

In addition, allowances were paid to 9 children.

*'Members in service' includes 97 (106 in 2023) members who have protected past service rights under the Scheme following the closure of the DB Section in 2010.

**'Deferred members' includes 1,759 (1,862 in 2023) members who have protected past service rights under the Scheme following the closure of the DB Section in 2010.

Scheme news

An update on Guaranteed Minimum Pension (GMP)

GMP is part of the pension built up by many people between 6 April 1978 and 5 April 1997. Following a clarification of the law regarding how GMP was treated, all UK pension arrangements with GMP must check their records to make sure that men and women are treated equally. At the same time, we are also checking our records match those held by His Majesty's Revenue and Customs (HMRC).

As part of this process, we'll write to all members in due course with information about the review of your pension benefits and how you may be affected by the GMP review.

Investment updates

In September 2024, we made some changes to our Defined Contribution (DC) investment options. We sent all DC members two communications about the changes in July 2024.

What were the changes?

The default investment option changed from the Flexible Retirement Strategy to the Sustainable Multi Asset Universal Strategic Lifestyle Profile (SLP) whilst investing sustainability and at a lower fee.

The Trustee also closed the legacy lifestyles and updated the self-select investment funds offering more options to members.

If you'd like to find out more, visit the Pension Port's Investment page at **www.lrpensionport.co.uk/activedeferred/dc-section/investments**

An update from the Trustees

We wrote to you in October about the Trustee's decision to invest in an insurance company (a "buy-in" insurance policy) for the Defined Benefit (DB) section of the Scheme. After careful consideration, the Trustee chose Standard Life as its company of choice.

The Trustee's decision was based on improving the security of members' benefits under the Scheme, and looked at a number of options. Taking into account the funding position of the Scheme and the views of the Company, the Trustee concluded that a buy-in would be the best way to proceed. The Trustee is confident that this is both a positive step for the Scheme and its members.

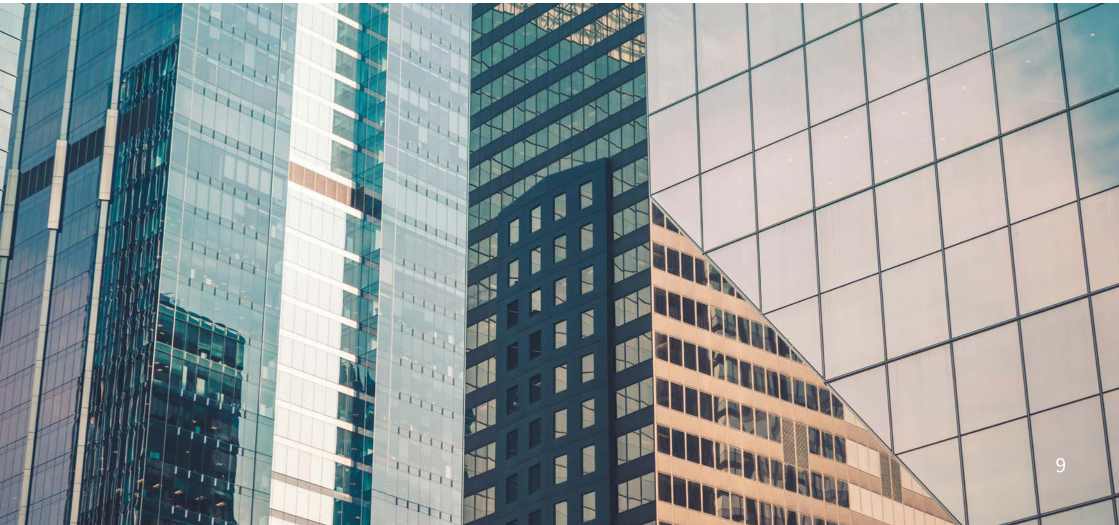
Key points about the buy-in

- Your benefits will now be backed by an insurance company, Standard Life
- Your benefits are more secure
- The Trustee remains responsible for the Scheme and paying benefits
- Your benefits will continue to be administered in line with Scheme rules
- XPS Administration remains the administrator of the Scheme
- There is no impact on your benefits in the money purchase section or your AVCs
- You do not need to take any action.

To find out more about the buy-in, please refer to your previous communications

Read the latest SIP and Implementation Statements

For the most up-to-date Statement of Investment Principles (SIP) and Annual Implementation Statement which is included in the latest Annual Report and Accounts, visit the Document store today at **lrpensionport.co.uk**



Pensions news

2024 Autumn Budget announcements

On 30 October 2024, Chancellor Rachel Reeves delivered the first Budget by the new Labour government. Here's a breakdown of some of the key pension points and what they could mean for you.

Inheritance Tax (IHT) changes

IHT is a tax on the estate (property, money, and possessions) of someone who has died. In the past, pensions have not typically counted towards the value of a person's estate for IHT purposes – so, for example, if you died before retiring and had defined contribution pension savings worth £100,000, that sum could be passed to your dependants without being factored into IHT calculations.

From April 2027, some inherited pensions will be included in IHT. More details are still to come around how this will work, but it may mean more people's estates exceed the IHT thresholds and trigger a tax charge.

State Pension increase

The Budget confirmed the government's commitment to the State Pension triple lock. State Pensions will, therefore, increase by 4.1% (in line with earnings growth) in April 2025. This will bring payments to £230.25 a week if you receive the full amount of the new State Pension, and £176.45 a week if you receive the full amount of the old basic State Pension.

To find out more about IHT, visit **gov.uk/inheritance-tax**

Get ready for the Pensions Dashboards

If you're a Deferred member, Pensions Dashboards are set to transform how you access information about your pension, allowing you to see your benefits with various providers, including your State Pension, all in one place.

The government and its providers have now completed their development and testing phase and will begin connecting a small number of pension schemes to the Dashboards for testing. Once complete, each scheme will be given a provisional connection date for when they'll be expected to connect with the Dashboards.

Pension scams are still rising

With modern technology, scammers can produce professional-looking materials and even 'clone' websites of legitimate companies. They may use sophisticated marketing techniques and psychological tricks to play on people's 'fear of missing out'.

A common scam tactic is to offer a free review of your pension, followed by an invitation to transfer your pension benefits out to somewhere you will, supposedly, get better value.

How can I avoid scams?

1. Ignore any unsolicited contact about your pension. Organisations should not contact you unless you contact them first.
2. Be wary of approaches that appear to be from your bank or pension provider. They may know personal details about you, but those are generally easy to find online. Never call back or reply to an email directly – find the provider's real contact details from a trusted source and use those.
3. Do not open links in texts, emails or social media messages. These may be viruses.
4. Use the FCA's register of authorised firms at **register.fca.org.uk** to check that the organisation or financial adviser is legitimate.

Reporting a scam

FCA ScamSmart

Phone: 0800 111 6768 (Monday to Friday 8am to 6pm and Saturdays 9am to 1pm)

Online: www.fca.org.uk/consumers/report-scam

Action Fraud

Phone: 0300 123 2040

Online: www.actionfraud.police.uk/reporting-fraud-and-cyber-crime

If you have any queries about your pension, please contact XPS using the details below. For any urgent queries, please contact the Lloyd's Register Group Pensions Department.

Find out more about the LRSFA:

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