# Royal Liver Assurance Limited Superannuation Fund

## Annual Report and Financial Statements

## for the year ended 31 December 2018

**Scheme Registration Number: 10005559**

**Royal Liver Assurance Limited Superannuation Fund**

Annual Report and Financial Statements

for the year ended 31 December 2018

## Contents

## Trustee and advisers

| | |
|---|---|
| **Principal Employer** | Royal Liver Pension Trustee Services Limited ("the Company") |
| **Corporate Trustee** | R. L. Pensions Trustees Limited |
| **Directors of the Corporate Trustee ("Trustee Directors")** | **Employer nominated**<br>Kevin J Dobson (P) (Chairman)<br>Michael Aitchison<br>Ronnie Morgan (appointed 1 January 2018)<br>The Law Debenture Pension Trust Corporation plc represented by Edward Levy (from 1 July 2018) and Andrew Parker (to 30 June 2018) (I)<br>**Member nominated**<br>Eric Bennett (P)<br>Moin Patala (D)<br>(I) *Independent trustee* (D) *Deferred member* (P) *Pensioner member* |
| **Scheme actuary** | J Howes FIA of Willis Towers Watson Limited (resigned 1 January 2019)<br>G. Connolly FIA of Willis Towers Watson Limited (appointed 1 January 2019) |
| **Administrators** | The Royal London Mutual Insurance Society Limited |
| **Independent Auditors** | PricewaterhouseCoopers LLP |
| **Legal advisers** | DLA Piper UK LLP<br>Cannings Connolly Solicitors<br>CMS Cameron McKenna LLP<br>Thor Lion LLP (appointed 19 December 2018) |
| **Investment consultant** | Mercer Limited (terminated 31 December 2018)<br>XPS Consulting Limited (appointed 8 February 2019) |
| **Strategy day investment adviser** | XPS Consulting Limited (appointed 18 October 2018 and terminated 8 November 2018) |
| **Investment managers** | Royal London Asset Management Limited<br>Legal & General Assurance (Pensions Management) Limited<br>Standard Life Investments Limited<br>BlackRock Alternative Advisors |
| **Investment custodian** | HSBC Bank plc (HSBC Securities Services) |
| **Additional Voluntary Contribution (AVC) provider** | Zurich Assurance Limited |
| **Bankers** | HSBC Bank plc |
| **Contact for enquiries** | Provided on 'Further information' page 32 |

The Royal London Mutual Insurance Society Limited is the parent company of Royal Liver Pension Trustee Services Limited, Royal London Asset Management Limited and Royal London Management Services Limited. Throughout this report the term "Royal London Group" refers to the parent and the subsidiary companies.

## Trustee's report

### Introduction

The Trustee Directors of the R.L. Pensions Trustees Limited ("the Trustee") present their annual report and financial statements of the Royal Liver Assurance Limited Superannuation Fund ("the Scheme") for the year ended 31 December 2018.

### Scheme constitution and management

The Scheme is an occupational pension scheme established under trust to provide retirement benefits for its members. The Scheme was closed to new members and to future benefits accrual for existing members on 1 July 2011.

The Scheme is governed by a definitive Trust Deed and Rules and is overseen by a Corporate Trustee whose Trustee Directors are required to act in accordance with the Trust Deed and Rules and the Memorandum and Articles of Association of the Trustee, within the framework of pension and trust law.

The Company has power under the Trust Deed to appoint or remove the Corporate Trustee. The Trustee Directors are appointed and removed in accordance with the Trust Deed, the Articles of the Corporate Trustee and the overriding provisions in the Pensions Act 2004. The Member Nominated Trustee Director arrangements are determined by the Trustee. The Trustee ordinarily has six Trustee Directors, four of whom are nominated by the Principal Employer and two by Scheme members. The persons who acted as Trustee Directors of the Trustee are listed on page 1. The Trustee normally meets at three monthly intervals.

### Scheme actuary

The former Scheme actuary, Jonathan Howes FIA of Willis Towers Watson Limited, resigned on 1 January 2019. The Trustee appointed Gareth Connolly FIA of Willis Towers Watson Limited as the new Scheme actuary from 1 January 2019. In his resignation letter, Mr Howes provided a statement that he was not aware of any circumstances connected with his resignation which, in his opinion, significantly affected the interests of members or prospective members of, or beneficiaries under, the Scheme. The change in the Scheme actuary is shown on page 1.

### Review of financial developments and financial statements

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with the regulations made under sections 41(1) and 41(6) of the Act.

The financial statements are provided on pages 11 to 28.

### Membership

Details of membership of the Scheme as at 31 December 2018 are given below:

| Membership movements | Deferred members | Pensioner members | Beneficiaries | Total |
|---|---|---|---|---|
| **At 1 January 2018** | **1,400** | **1,699** | **430** | **3,529** |
| New beneficiaries | - | - | 21 | 21 |
| Transfers out | (17) | - | - | (17) |
| Retirements | (76) | 76 | - | - |
| Deaths | (3) | (32) | (38) | (73) |
| Commutations | - | (7) | (1) | (8) |
| **At 31 December 2018** | **1,304** | **1,736** | **412** | **3,452** |

## Trustee's report (continued)

### Pension increases

The Trust Deed and Rules makes provision for increases in pensions in payment and deferred pensions. The increases applied depend on when the benefits were accrued.

The table below summarises the most recent increases applied to pensions in payment as at 1 April 2018. The increases to pensions in payment were made above the Guaranteed Minimum Pension (GMP) and were effective from 1 April.

| Pension element | Increase basis | 2018 | 2017 |
|---|---|---|---|
| Pre 1988 Guaranteed Minimum Pension (Fixed GMP) | Statutory increase at nil | **0.0%** | 0.0% |
| Post 1988 Guaranteed Minimum Pension (Indexed GMP) | Statutory increase at CPI, maximum 3% | **3.0%** | 1.0% |
| Pension accrued before 6 April 1997 in excess of GMP | Joint discretion of Trustee and Company | **2.5%** | 1.5%[1] |
| Pension accrued between 6 April 1997 and 5 April 2005 | Statutory increase at CPI, maximum 5% | **3.0%** | 1.0% |
| Pension accrued after 5 April 2005 | Statutory increase at CPI, maximum 2.5% | **2.5%** | 1.0% |
| Consumer Prices Index (CPI) | Increase/(decrease) in year to September | **3.0%** | 1.0% |

[1]The increase applies to members who retired before April 2010 capped at £300 per annum.

Pensions in deferment are revalued in accordance with the Pension Schemes Act 1993, at a rate equal to the increase in the CPI (prior to 1 January 2014 at Retail Prices Index ("RPI")).

### Transfer values

Cash equivalents paid during the Scheme year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and no allowance has been made for discretionary increases on benefits.

### Guaranteed Minimum Pensions (GMP) equalisation

In October 2018, the High Court determined that certain benefits provided to members who contracted out of the State Earnings Related Pension between May 1990 and April 1997 must be equalised between men and women. The Trustee is now reviewing the implications of this ruling on members' benefits from the Scheme. Any increases to benefits are not likely to be significant. As soon as this review is finalised then affected members will be communicated with. However, this may take several months or longer.

## Report on Actuarial liabilities

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

The Scheme is subject to a Statutory Funding Objective as required under section 222 of the Pensions Act 2004, which requires a scheme to have sufficient and appropriate assets to cover its technical provisions. The technical provisions are calculated by projecting the benefits expected to be paid in each year after the valuation date and discounting the cash flows to obtain the present value. This assessment is carried out every 3 years using assumptions agreed between the Trustee and the Principal Employer. The method and assumptions are documented in a Statement of Funding Principles a copy of which is available to members on request from the address set out on page 32.

## Trustee's report (continued)

### Report on Actuarial liabilities (continued)

A full actuarial valuation of the Scheme as at 31 December 2018 is being carried out and the results of this valuation will be available later in 2019. A recent funding update was performed as at 31 December 2018. The most recent triennial actuarial valuation of the Scheme was performed as at 31 December 2015. The results of the funding update as at 31 December 2018 and the actuarial valuation as at 31 December 2015 are provided in the table below:

| **Actuarial report date: 31 December** | **Update 2018 £'000** | Valuation 2015 £'000 |
|---|---|---|
| Value of technical provisions | **306,700** | 287,700 |
| Value of assets available to meet technical provisions | **361,100** | 321,500 |
| Funding surplus | **54,400** | 33,800 |
| Funding level as a percentage of technical provisions | **118%** | 112% |

The values of assets at both dates exclude Additional Voluntary Contributions. Following the valuation as at both dates the Scheme Actuary indicated that there is no contribution required under the ongoing funding programme as the Scheme had a surplus at the valuation dates and there is no future service accrual under the Scheme.

The value of liabilities (technical provisions) in the above table exclude those in respect of Additional Voluntary Contributions which are fully met by matching assets and exclude any allowance for advance funding of non-guaranteed discretionary pension increases.

The value of liabilities is based on pensionable service to the date of closure to future accrual (1 July 2011) and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns, when members will retire and how long members will live. The method and significant assumptions used in the calculations are as follows:

#### Method

The actuarial method used in the calculation of the liabilities is the Projected Unit Method.

#### Significant actuarial assumptions

The assumptions used to calculate the Scheme's technical provisions are set out in the actuarial report as at 31 December 2015 and are summarised in the following main categories:

- Discount interest rate: single equivalent discount rate of 3.05%
- RPI inflation at 3.05%
- CPI inflation at 2.25%
- Pension increases in deferment at 2.25%
- Pension increases in payment:
  - Pensions accrued before 6 April 1997 at 0%
  - Pensions accrued between 6 April 1997 and 5 April 2005 at 2.30%
  - Pensions accrued after 5 April 2005 at 1.7%
  - GMP pensions accrued after 5 April 1988 at 1.9%
- Mortality for the period in retirement applying the SAPS S2 series tables with multipliers of 100% for pensioners and dependants and 105% for deferred members.

The Scheme actuary's certification of the schedule of contributions agreed following the 2015 valuation is on page 31.

## Trustee's report (continued)

## Investment report

### Investment principles and strategy

The ultimate responsibility for deciding investment policy lies with the Trustee. The investment responsibilities of the Trustee are governed by the Scheme's Trust Deed and Rules and relevant legislation.

The Trustee maintains a Statement of Investment Principles ("SIP") as required by section 35 of the Pensions Act 1995 and meets the requirements of the Occupation Pension Schemes (Investment) Regulations 2005. The current SIP was last updated in September 2016 following the completion of the actuarial valuation as at 31 December 2015. The Trustee reviews the SIP for appropriateness from time to time.

A copy of the SIP is available on request from the contact address set out on page 32 of this annual report and financial statements under 'Further information'.

Details of the Scheme's investments are given in note 10 to the financial statements.

### Management and custodial arrangements

The Trustee has appointed professional investment managers which are listed on page 1 to manage the Scheme's investments on a day-to-day basis. The managers have full discretion to invest world-wide subject to the restrictions and investment policies laid down by the Trustee in the Investment Management Agreements (IMA) which are designed to ensure that the objectives and policies set out in the SIP are followed.

The investment managers are all authorised and regulated by the Financial Conduct Authority of the United Kingdom or the relevant authority in the domicile country.

The mandates put in place by the Trustee specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental factors when making investment decisions. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but review the manager's policies and statements of compliance in respect of these matters.

The Trustee has appointed HSBC Bank plc (HSBC Securities Services) to keep custody of the Scheme's investments other than:

- Pooled investment vehicles where the managers make their own arrangements for custody of the underlying investments;
- Additional Voluntary Contributions where the providers listed on page 1 make their own arrangements for the management and custody of the underlying investments.

### Review of investment performance

The table on the following page shows the performance of the Scheme's investments over short and long periods relative to the appropriate benchmarks.

## Trustee's report (continued)

### Review of investment performance (continued)

| Annualised return over | 1 year | 3 years | 5 years | Allocation |
|---|---|---|---|---|
| **LDI[1] and Credit portfolio** | **(0.6)%** | **8.8%** | **7.9%** | **94%** |
| *Benchmark* | *0.5%* | *7.8%* | *6.7%* | |
| **World Equity Index fund** | **(8.2)%** | **6.3%** | **6.0%** | **6%** |
| *Benchmark* | *(8.2)%* | *6.3%* | *6.0%* | |
| **Scheme** | **(0.9)%** | **8.2%** | **8.8%** | **100%** |
| *Benchmark [2]* | *0.5%* | *7.3%* | - | |

[1] LDI – Liability-Driven Investments
[2] Scheme benchmark return for 5 years is not available.

The combined LDI and Credit portfolio underperformed against benchmark during the year largely due to an underperformance of credit bonds relative to government bonds. However the LDI assets performed in line with the cash flow liabilities as expected.

The World Equity Index fund's negative return performed in line with its benchmark following weak performance in equity markets in the UK, US and emerging markets.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be relatively appropriate to justify the holding of each class of the investments.

The value of the Scheme's illiquid assets as at 31 December 2018 was £20.6 million (2017: £22.4 million).

### Employer related investments

There were no employer related investments held directly or indirectly by the Scheme during the year (2017: None).

## Statement of Trustee's responsibilities

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

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("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.

## Trustee's report (continued)

### Statement of Trustee's responsibilities (continued)

#### Trustee's responsibilities in respect of the financial statements (continued)

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

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 a general responsibility for ensuring that 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.

#### Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers 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 that fall due to be paid are paid into the Scheme 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 to members.

#### Further information

Any enquiries about the Scheme can be made by contacting the Staff Pensions Team at the address provided in the 'Further information' on page 32. A copy of this annual report and financial statements is available on the Royal London Group website at https://www.royallondon.com/about-us/corporate-information/key-financial-information/annual-reports.

### Approval

The Trustee's report on pages 2 to 7 was approved and signed by the Trustee Directors on 11 June 2019.

**Signed for and on behalf of R. L. Pensions Trustees Limited by:**

Kevin Dobson

**Trustee Director**

**Edward Levy, Director for**
**The Law Debenture Pension Trust Corporation p.l.c.**

# Independent Auditors' report to the Trustee of the Royal Liver Assurance Limited Superannuation Fund

## Report on the audit of the financial statements

### Opinion

In our opinion, Royal Liver Assurance Limited Superannuation Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2018, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the annual report and financial statements, which comprise: the statement of net assets available for benefits as at 31 December 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the scheme, its operations and other organisations on which it depends and the wider economy.

## Independent Auditors' report to the Trustee of the Royal Liver Assurance Limited Superannuation Fund

## Report on the audit of the financial statements (continued)

### Reporting on other information

The other information comprises all the information in the annual report and financial statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

### Responsibilities for the financial statements and the audit

*Responsibilities of the Trustee for the financial statements*

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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.

*Auditors' 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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Independent Auditors' report to the Trustee of the Royal Liver Assurance Limited Superannuation Fund (continued)

### Responsibilities for the financial statements and the audit (continued)

*Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Manchester**

**11 June 2019**

## Fund account for the year ended 31 December 2018

| | *Note* | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| **Other income** | | **-** | 17 |
| **Benefits and other payments** | | | |
| Benefits | *4* | **10,801** | 10,795 |
| Individual transfers to other schemes | *5* | **2,660** | 5,048 |
| Administrative expenses | *6* | **508** | 553 |
| | | **13,969** | 16,396 |
| **Net withdrawals from dealings with members** | | **(13,969)** | (16,379) |
| **Returns on investments** | | | |
| Investment income | *7* | **6,495** | 6,590 |
| Change in market value of investments | *10* | **(10,320)** | 13,155 |
| Investment management expenses | *8* | **(666)** | (647) |
| Net returns on investments | | **(4,491)** | 19,098 |
| **Net (decrease)/increase in the Scheme** | | **(18,460)** | 2,719 |
| Opening net assets | | **381,574** | 378,855 |
| **Closing net assets** | | **363,114** | 381,574 |

The notes to the financial statements on pages 13 to 28 form part of these financial statements.

## Statement of net assets available for benefits as at 31 December 2018

| | *Note* | **2018 £'000** | 2017 £'000 |
|---|---|---|---|
| **Investment assets** | | | |
| Bonds | *10* | **333,920** | 349,499 |
| Derivatives | *11* | **1,960** | 3,258 |
| Pooled investment vehicles | *13* | **20,559** | 22,384 |
| Cash | *14* | **4,346** | 4,569 |
| Other investment balances | *15* | **2,951** | 3,153 |
| AVC investments | *16* | **2,040** | 2,188 |
| | | **365,776** | 385,051 |
| **Investment liabilities** | | | |
| Derivatives | *11* | **(2,294)** | (3,119) |
| Other investment balances | *15* | **(1,268)** | (1,358) |
| | | **(3,562)** | (4,477) |
| **Total net investments** | | **362,214** | 380,574 |
| **Current assets** | *21* | **1,264** | 1,471 |
| **Current liabilities** | *22* | **(364)** | (471) |
| **Net assets available for benefits as at 31 December 2018** | | **363,114** | 381,574 |

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 benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial liabilities on pages 3 and 4 of the annual report and these financial statements should be read in conjunction with this report.

The notes to the financial statements on pages 13 to 28 form part of these financial statements.

The financial statements on pages 11 to 28 were approved and signed by the Trustee Directors on 11 June 2019.

**Signed for and on behalf of R.L. Pensions Trustees Limited by:**

Kevin Dobson

**Trustee Director**

**Trustee Director**

Edward Levy, Director for
The Law Debenture Pension Trust Corporation p.l.c.

## Notes to the financial statements

### 1. General information

The Scheme is an occupational pension scheme established by the Trust Deed dated 5 December 2003. The Trust Deed has been amended by a Deed of Amendment dated 29 February 2008 and by a Deed of Adherence, Amendment and Substitution dated 4 May 2011.

The Scheme is a defined benefit ("DB") scheme which was established to provide retirement benefits for its members. The members are former employees of Royal Liver Assurance Limited prior to 1 July 2011, a company which transferred its business, assets and liabilities to Royal London Mutual Insurance Limited whose subsidiary Royal Liver Pension Trustee Services Limited became the Principal Employer. On 1 July 2011 the Scheme was closed to new members and to future benefits accrual for existing members.

The Scheme's registered office address is at 55 Gracechurch Street, London, EC3V 0RL

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

### 2. Statement of compliance

The individual financial statements of Royal Liver Assurance Limited Superannuation Fund have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, 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 November 2014) ("the SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee does not anticipate that the adoption of the revised SORP will have a material impact on the financial statements.

### 3. Summary of significant accounting policies

The principal accounting policies set out below have been consistently applied in the preparation of the financial statements.

#### (a). Currency

The functional currency and presentation currency of the Scheme is the Great British Pound Sterling (GBP (£)).

#### (b). Foreign currency conversion

Assets and liabilities in foreign currencies are expressed in GBP at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into GBP at the spot rate at the date of the transaction.

Gains and losses arising on conversion are dealt with as part of change in market value of investments.

#### (c). Other income

Other income is accounted for on a receipt basis.

## Notes to the financial statements (continued)

### 3. Summary of significant accounting policies (continued)

#### (d). Benefit payments

Where a member can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis in the period in which the member notifies the Trustee of their 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.

Pension in payment are accounted for in the period to which they relate.

#### (e). Transfers to other schemes

Transfer values represent the amounts payable during the year for members who have left the Scheme. All values are based on methods and assumptions determined by the Actuary advising the Trustee. The values are accounted for upon liability being accepted by the receiving scheme.

#### (f). Administrative and other expenses

Administrative expenses are accounted for on an accruals basis by reference to the period to which they relate.

#### (g). Investment income and expenses

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 and unrealised changes in market value. The change in market value also includes realised profits and losses on closed derivative contracts and unrealised profits and losses on open derivative contracts. Income generated by pooled investment vehicles is not distributed but is retained within pooled funds and is reflected in the market value of the units.

Interest on bonds, including income bought and sold on purchases and sales of bonds, is accounted for on an accruals basis.

Interest on cash and short term deposits and income from other investments is accounted for on an accruals basis.

Other investment income is accounted for on a receipt basis.

Payments under swap contracts representing the difference between the swapped cash flows are included in investment income and are accounted for on an accruals basis.

Investment income includes any reclaimable tax credits. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns.

Investment management expenses are accounted for on an accruals basis by reference to the period to which they relate.

Indirect transaction costs are incurred through the bid – offer spread on pooled investments. The amount of indirect transaction costs is not separately provided to the Scheme.

## Notes to the financial statements (continued)

### 3. Summary of significant accounting policies (continued)

#### (h). Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used. Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

The methods of determining fair value for the principal classes of investments are:

- Bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.
- The value of bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.
- Swaps are valued at the net present value of future cash flows arising therefrom.
- The value of AVCs and other investment balances which are unquoted or not actively traded on a quoted market is driven by the fair value of its underlying assets as advised by the asset managers. Where there are restrictions or other factors which prevent realisation at the fair value an adjustment is made to the value of the asset.

Accrued interest is excluded from the market value of bonds but is included in other investment balances.

#### (i). Other investment arrangements

The Scheme recognises assets delivered out as collateral under derivative contracts to reflect its ongoing interest in those securities. Cash delivered out as collateral under derivative contracts is recognised as an investment receivable in the financial statements.

Collateral securities received in respect of derivative contracts is disclosed but not recognised as a Scheme asset.

The value of collateral received in respect of derivative contracts reflects the exposure value of the derivatives at the middle of bid and offer prices including interest accrual.

## Notes to the financial statements (continued)

### 4. Benefits

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Pensions | **9,632** | 9,417 |
| Commutations and retirement lump sums | **1,169** | 1,378 |
| | **10,801** | 10,795 |

### 5. Individual transfers to other schemes

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Individual transfers to other schemes | **2,660** | 5,048 |

### 6. Administrative expenses

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Administration fees | **204** | 199 |
| Trusteeship fees | **49** | 32 |
| Actuarial fees | **144** | 81 |
| Levies paid to the Pensions Regulator | **23** | 121 |
| Audit fees | **15** | 16 |
| Legal fees | **70** | 79 |
| Consultancy | **3** | 25 |
| | **508** | 553 |

The administration and management of the Scheme is provided by the Royal London Mutual Insurance Society Limited. The direct costs of employees involved in the administration and management are recharged to the Scheme. Indirect costs incurred by the Administrator are recharged to the Scheme on an allocation basis agreed by the Trustee.

All other administration and management costs are met by the Scheme.

### 7. Investment income

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Income from bonds | **8,987** | 7,106 |
| Net payments on swaps | **(2,506)** | (596) |
| Net rents from properties | **-** | 67 |
| Interest on cash deposits | **14** | 4 |
| Other investment income | **-** | 9 |
| | **6,495** | 6,590 |

## Notes to the financial statements (continued)

### 8. Investment management expenses

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Administration and management | **562** | 552 |
| Custodian charges | **23** | 24 |
| Investment advisory | **70** | 60 |
| Investment performance fees | **11** | 11 |
| | **666** | 647 |

### 9. Investment transaction costs

Transaction costs relating to purchases of investments are added to the cost of investments and those relating to sales of investments are netted against proceeds of investments. These costs include fees, commissions, stamp duty and other fees. Direct transaction costs incurred during the year are analysed as follows:

| **Transaction fee category** | **Equities £'000** | **Bonds £'000** | **Property £'000** | **2018 Total £'000** | 2017 Total £'000 |
|---|---|---|---|---|---|
| Fees | - | - | - | - | 6 |
| Commissions | - | - | - | - | 15 |
| **Total 2018** | - | - | - | - | |
| Total 2017 | - | - | - | | 21 |

Indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. It has not been possible for the Scheme to quantify such indirect transaction costs.

## Notes to the financial statements (continued)

### 10. Reconciliation of net investments

| | Value as at 1 January 2018 £000 | Purchases at cost and derivative payments £000 | Sale proceeds and derivative receipts £000 | Change in market value £000 | **Value as at 31 December 2018 £000** |
|---|---|---|---|---|---|
| Bonds | 349,499 | 283,677 | (287,565) | (11,691) | **333,920** |
| Derivatives | 139 | 1,683,370 | (1,686,940) | 3,097 | **(334)** |
| Pooled investment vehicles | 22,384 | - | - | (1,825) | **20,559** |
| AVC investments | 2,188 | - | (247) | 99 | **2,040** |
| | 374,210 | 1,967,047 | (1,974,752) | (10,320) | **356,185** |
| Cash | 4,569 | | | - | **4,346** |
| Other investment balances | 1,795 | | | - | **1,683** |
| | 6,364 | | | - | **6,029** |
| **Net investment assets** | 380,574 | | | (10,320) | **362,214** |

The change in market value of investments during the year comprises 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 and on closed derivative contracts during the year.

### 11. Derivatives

| **Over the counter contracts** | **Assets £000** | **Liabilities £000** | **Total £000** | Assets £000 | Liabilities £000 | Total £000 |
|---|---|---|---|---|---|---|
| | | | **2018** | | | 2017 |
| Total return swaps | **1,960** | **(1,182)** | **778** | 3,258 | (1,855) | 1,403 |
| Interest rate swaps | **-** | **(487)** | **(487)** | - | (510) | (510) |
| Inflation swaps | **-** | **(625)** | **(625)** | - | (754) | (754) |
| | **1,960** | **(2,294)** | **(334)** | 3,258 | (3,119) | 139 |

## Notes to the financial statements (continued)

### 11. Derivatives (continued)

**Objectives and policies for holding derivatives**

The Trustee allows the investment managers the discretion to use derivatives to support the investment strategy. These are financial instruments whose value is dependent on the value of an underlying index, currency, commodity or other asset.

The Trustee authorises the use of derivatives for hedging purposes and to enhance the efficient management of the investment portfolios where they provide the opportunities to achieve the overall portfolio objective more efficiently than would be the case through direct dealing in the underlying securities. For example, derivatives may be used to hedge the portfolio against adverse market movements, to manage cash flows into or out of the portfolio, to cover out of market exposure or to swap exposure between asset classes or sectors in an efficient manner.

Derivatives are not to be used for speculative purposes. Furthermore, restrictions are in place with each investment manager to limit the overall extent of derivatives usage and exposure to certain types of derivatives.

Derivative contracts are included in the financial statements at fair value.

**Swaps**

Swaps are over the counter contracts and fair value is the current value of future expected net cash flows arising from the swap, taking into account the time value of money. Fair value is normally calculated using discounted cash flow models and using market data at the reporting date. The Scheme participated in three types of swaps during the year, which are interest rate swaps, inflation swaps and total return swaps as follows:

**(a). Interest rate swap**

An interest rate swap is a contract under which interest payments at a fixed rate are exchanged for interest payments at a variable interest rate (or vice versa) based on an agreed principal amount. Only the net interest payments are exchanged. No exchange of principal takes place.

**(b). Inflation swap**

An inflation swap is a contract under which inflation-indexed payments are exchanged for fixed payments based on an agreed principal amount. Only the net interest payments are exchanged. No exchange of principal takes place.

**(c). Total return swaps**

A total return swap is a contract in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. No exchange of principal takes place.

**Notional principal**

The notional amount (or notional principal or notional value) on a financial instrument is the nominal or face amount that is used to calculate payments made on that instrument. This amount generally does not change hands and is thus referred to as notional.

## Notes to the financial statements (continued)

### 11. Derivatives (continued)

Outstanding swap contracts at the year end are detailed as follows:

| Nature of Swap | Expires within | No. of contracts | Notional principal £000 | Assets £000 | Liabilities £000 | 2018 Net £000 |
|---|---|---|---|---|---|---|
| **Total return swaps** | | | | | | |
| Pay fixed interest for total return (Gilts) | 1 year | 10 | 84,112 | **1,343** | **(689)** | **654** |
| Pay total return (Gilts) for fixed interest | 1 year | 8 | 142,806 | **617** | **(493)** | **124** |
| | | | | **1,960** | **(1,182)** | **778** |
| **Interest rate swaps** | | | | | | |
| Pay fixed interest for variable (6 month LIBOR) | 20 years | 1 | 3,500 | - | **(487)** | **(487)** |
| **Inflation swaps** | | | | | | |
| Pay fixed interest for RPI | Over 20 years | 1 | 1,000 | - | **(625)** | **(625)** |
| | | | | **1,960** | **(2,294)** | **(334)** |

### 12. Collateral arrangements

The Scheme is exposed to credit risk on the carrying value of derivatives in the same way as it is exposed to credit risk on other investment assets. To mitigate this risk, a portion of the fair value of the derivatives held by the Scheme at any point in time is matched by cash and or stock collateral received from counterparty to the transaction.

Stock collateral was received by the Scheme in respect of derivative contracts outstanding at the year-end in the form of gilts with a market value as at 31 December 2018 of £0.3 million (2017: £1.3 million). These assets are not included in the net investment assets.

Stock collateral was pledged by the Scheme in respect of derivative contracts outstanding at the year-end in the form of gilts with a market value as at 31 December 2018 of £1.5 million (2017: £2.5 million). The pledged assets are included in the net investment assets.

## Notes to the financial statements (continued)

### 13. Pooled investment vehicles

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Equity funds | **20,559** | 22,384 |

### 14. Cash

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Cash held by investment managers | **4,346** | 4,569 |

### 15. Other investment balances

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Accrued interest receivable | **2,913** | 3,025 |
| Investment income receivable | **18** | 105 |
| Trade settlements due from brokers | **-** | 4 |
| Tax reclaims | **20** | 19 |
| | **2,951** | 3,153 |
| Accrued interest payable | **(1,267)** | (1,357) |
| Trade settlements due to brokers | **(1)** | (1) |
| | **(1,268)** | (1,358) |
| | **1,683** | 1,795 |

### 16. Additional Voluntary Contributions (AVC) investments

The Trustee holds assets invested separately from the main fund in the form of insurance policies, which secure additional benefits on a money purchase basis for those members who had previously elected to pay additional voluntary contributions. 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 below:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Zurich Assurance Limited | **2,040** | 2,188 |

## Notes to the financial statements (continued)

### 17. Fair value of investments

The fair value of investments in the statement of net assets available for benefits has been determined using an analysis of the level in the following hierarchy:

| **Valuation methodology** | **Level** |
|---|---|
| Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date | 1 |
| Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly | 2 |
| Inputs are unobservable, i.e. for which market data is unavailable. | 3 |

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair value applies, valuation techniques are adopted and the vehicles are included in level 3.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2018 or 31 December 2017.

The Scheme's investment assets and liabilities have been included at fair value within the hierarchical levels as follows:

| **Asset category** | | **Hierarchy level** | | **2018** |
|---|---|---|---|---|
| | **1** | **2** | **3** | **Total** |
| **Investment assets** | **£000** | **£000** | **£000** | **£000** |
| Bonds | **172,200** | **160,570** | **1,150** | **333,920** |
| Derivatives | - | **1,960** | - | **1,960** |
| Pooled investment vehicles | - | **20,559** | - | **20,559** |
| AVC investments | - | - | **2,040** | **2,040** |
| Cash | **4,346** | - | - | **4,346** |
| Other investment balances | **2,951** | - | - | **2,951** |
| | **179,497** | **183,089** | **3,190** | **365,776** |
| **Investment liabilities** | | | | |
| Derivatives | - | **(2,294)** | - | **(2,294)** |
| Other investment balances | **(1,268)** | - | - | **(1,268)** |
| | **(1,268)** | **(2,294)** | - | **(3,562)** |
| **Total net investments** | **178,229** | **180,795** | **3,190** | **362,214** |

The other investment balances are primarily comprised of interest accrual and other receivables or payables which are due within a year. The value of the balances is estimated by the Trustee as advised by the fund manager.

## Notes to the financial statements (continued)

### 17. Fair value of investments (continued)

An analysis for the prior year end hierarchical levels of the Scheme's investment assets and liabilities is as follows:

| **Asset category** | | Hierarchy level | | 2017 |
|---|---|---|---|---|
| | 1 | 2 | 3 | Total |
| | £000 | £000 | £000 | £000 |
| **Investment assets** | | | | |
| Bonds | 181,628 | 167,214 | 657 | 349,499 |
| Derivatives | - | 3,258 | - | 3,258 |
| Pooled investment vehicles | - | 22,384 | - | 22,384 |
| AVC investments | - | - | 2,188 | 2,188 |
| Cash | 4,569 | - | - | 4,569 |
| Other investment balances | 3,153 | - | - | 3,153 |
| | 189,350 | 192,856 | 2,845 | 385,051 |
| **Investment liabilities** | | | | |
| Derivatives | - | (3,119) | - | (3,119) |
| Other investment balances | (1,358) | - | - | (1,358) |
| | (1,358) | (3,119) | - | (4,477) |
| **Total net investments** | 187,992 | 189,737 | 2,845 | 380,574 |

### 18. Investment risks

**Types of risk relating to investments**

FRS 102 requires the disclosure of information in relation to certain investment risks.

**Credit risk**: this is 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**: this is the risk that the return on a financial instrument fluctuates because of changes in market prices. Market risk comprises three types of risk (currency risk, interest rate risk and other price risk), each of which is further detailed as follows:

- **Currency risk**: this is the risk that the return on a financial asset fluctuates because of changes in foreign exchange rates.

- **Interest rate risk**: this is the risk that the return on a financial asset fluctuates because of changes in market interest rates.

- **Other price risk**: this is the risk that the return on a financial asset fluctuates 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.

## Notes to the financial statements (continued)

### 18. Investment risks (continued)

The Trustee determines their investment strategy after taking advice from a professional investment consultant. The day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment managers appointed by the Trustee.

The Scheme has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages the investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles ("SIP") and Investment Policy Implementation Documentation ("IPID").

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

**Investment strategy**

The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions if required, the benefits payable under the Trust Deed and Rules as they fall due.

The Trustee's primary strategic objectives are as follows:

- To ensure the Scheme has sufficient and appropriate assets to pay members' benefits as they fall due.
- To achieve a fully funded status on a self-sufficient basis whereby high quality bonds are held to cover the Scheme's liabilities, including inflation-linked bonds to protect against increases in the Scheme's inflation-sensitive liabilities.
- To limit the risk of the assets failing to meet the liabilities in relation to the Statutory Funding Objective.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long term liabilities and the funding agreed with the Principal Employer. The current asset allocations under the investment strategy are set out in the SIP as follows:

- 5% in return seeking investments comprising global equities, investment property and a small residual hedge fund allocation.

- 95% in investments that move closely in line with the long term liabilities of the Scheme. This is achieved via an active UK corporate bond mandate and an LDI mandate comprising of UK government bonds and derivatives (the purpose of which is to hedge against the impact of interest rate and inflation movements on the value of long term liabilities).

**Credit risk**

The Scheme is subject to credit risk because the Scheme directly invests in bonds, over-the-counter ("OTC") derivatives and has cash balances.

## Notes to the financial statements (continued)

### 18. Investment risks (continued)

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated. The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Credit risk arises on profits made on derivative contracts, to the extent that these are uncollateralised, and on losses to the extent that they are over-collateralised, as in either case, there is credit exposure to the bank counterparty. This is managed by fully collateralising any profits made on derivatives, and minimising any over-collateralisation of derivative contracts.

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

The Scheme also invests in a pooled investment vehicle and is therefore directly exposed to credit risk arising from the pooled fund investment vehicle.

The pooled investment arrangement used by the Scheme is a unit-linked insurance contract. The Scheme's holdings in the pooled investment vehicle are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangement by considering the nature of the arrangement, the legal structure and regulatory environment. Investments backing unit-linked insurance contracts are comingled with the insurer's own assets and direct credit risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Scheme may be protected by the Financial Services Compensation Fund (FSCS) and may make a claim for 100% of its policy value, although noting that compensation is not guaranteed and may not apply to all funds accessed via the insurer. The Trustee carries out due diligence checks on the appointment of new pooled investment managers. The Trustee, in conjunction with their investment advisor, periodically reviews the investment managers.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end. See notes 10, 11 and 13 for amounts of the above investments exposed to credit risk as described.

**Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas equity markets via the GBP Sterling priced pooled investment vehicle (indirect currency exposure). The Trustee has set a target benchmark allocation to equity of 5%, which will include non-Sterling assets with associated currency risk. The value of the equity allocation as at 31 December 2018 was £20.6 million (2017: £22.4 million) of which £1.0 million (2017: £1.0 million) was subject to currency exposure.

**Interest rate risk**

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in government and corporate bonds and interest rate swaps (via segregated investments), and cash. The Trustee has set a benchmark for total investment in bonds and interest rate swaps of 95% of the total investment portfolio, as part of their matching investment strategy.

Under this strategy, if interest rates fall, the value of matching 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 matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the matching portfolio represented 94% of the total investment portfolio (2017: 94%).

## Notes to the financial statements (continued)

### 18. Investment risks (continued)

**Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles. The Scheme has set a target asset allocation of 5% of investments being held in return seeking investments. At the year-end the return seeking portfolio represented 6% of the total investment portfolio (2017: 6%).

### 19. Concentration of investments

The following investments are held which represent over 5% of the net assets of the Scheme:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **£000** | **%** | £000 | % |
| Legal and General KY World Equity Index GBP [1] | **20,559** | **5.66** | 21,815 | 5.72 |

[1] This is a pooled investment vehicle which has world equities as the underlying assets none of which exceeds 5% of the net assets of the Scheme.

### 20. Employer related investments

There are no employer related investments held by the Scheme during the year (2017: none).

### 21. Current assets

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Cash balances | **311** | 637 |
| Benefits paid in advance | **849** | 722 |
| Other debtors | **104** | 112 |
| | **1,264** | 1,471 |

Benefits paid in advance are pensioner benefits for January 2019 paid on 31 December 2018 in advance of the due date, 1 January 2019, due to the date falling on a bank holiday.

### 22. Current liabilities

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Amounts due to employer | **(25)** | (87) |
| Tax on pensions payable | **(215)** | (15) |
| Accrued expenses | **(121)** | (365) |
| VAT payable | **(3)** | (3) |
| Other creditors | - | (1) |
| | **(364)** | (471) |

Amounts due to employer represent the balance of amounts paid by the employer on behalf of the Scheme for expenses incurred by the Scheme.

## Notes to the financial statements (continued)

### 23. Related party transactions

#### a. Transactions with key management personnel

**Trustee Directors**

During the year two Trustee Directors (2017: two) were each in receipt of pensions from the Scheme and these are included in note 4.

One Trustee Director received director's fees during the year amounting to £7,500 (2017: £7,500) and are included in note 6.

During the year one Trustee Director (2017: one) claimed travel expenses for attendance at Trustee meetings. The expenses paid during the year amounted to £882 (2017: £697) and are included in note 6.

The Law Debenture Pension Trust Corporation plc is the corporate Trustee Director of the Scheme. They are paid a fee in respect of their trustee services. In 2018 this amounted to £40,645 (2017: £24,705) and included in note 6. Fees amounting to £8,114 (2017: £6,472) were payable by the Scheme as at year-end and are included in note 23. During the year nil fees were paid (2017: £4,419) in respect of other non-trustee services and are included in note 6.

#### b. Transactions with other related parties

**i) The employer**

Royal Liver Pension Trustee Services Limited, the Principal Employer, is a subsidiary company of The Royal London Mutual Insurance Society Limited. The Royal London Mutual Insurance Society Limited has provided administrative services to the Scheme during the year through its subsidiary Royal London Administration Services Limited. Costs incurred in providing these services which are recharged to the Scheme amounted to £156,393 (2017: £195,900) and are included in note 6. An amount of £38,940 (2017: £52,099) was payable by the Scheme as at the year-end and is included in note 22.

**ii) The Investment Manager**

The Investment Managers and the basis of their fees are set out in the Investment Management Agreements. These fees are borne directly by the Scheme. The fees paid to the Investment Managers are included in note 8.

Royal London Asset Management Limited (RLAM) is a company within the Royal London Group. RLAM is the investment manager of the corporate bond and LDI portfolio of the Scheme on an arm's length basis. They are remunerated in accordance with the terms of a normal commercial contract and fees for 2018 amounted to £514,948 (2017: £530,999) and are included in note 8. Fees amounting to £83,443 (2017: £87,787) were payable by the Scheme as at the year-end and are included in note 22.

## Notes to the financial statements (continued)

### 24. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 December 2018 (2017: nil) other than GMP benefits equalisation below.

In October 2018, the High Court determined that certain benefits provided to members who contracted out of the State Earnings Related Pension between May 1990 and April 1997 must be equalised between men and women. The Trustee is now reviewing the implications of this ruling on members' benefits from the Scheme. A preliminary assessment of the impact of addressing this is that it will increase the Scheme's Actuarial liabilities. The past service amount is not likely to be material therefore will be accounted for when settled. As soon as this review is finalised affected members will be communicated with.

As at 31 December 2018 the Scheme had contractual commitments in the form of stock collateral arrangements which are disclosed in note 12.

### 25. Subsequent events

Since the year end, there have been no events that would require amendment to or disclosure in the financial statements.

## Independent Auditors' Statement about Contributions to the Trustee of the Royal Liver Assurance Limited Superannuation Fund

### Statement about contributions

#### Opinion

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2018 as reported in Royal Liver Assurance Limited Superannuation Fund's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Scheme actuary on 13 September 2016.

We have examined Royal Liver Assurance Limited Superannuation Fund's summary of contributions for the Scheme year ended 31 December 2018 which is set out on the following page.

#### Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedule of contributions and the timing of those payments.

#### Responsibilities for the statement about contributions

*Responsibilities of the Trustee in respect of contributions*

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements..

*Auditors' responsibilities in respect of the statement about contributions*

It is our responsibility to provide a statement about contributions and to report our opinion to you.

*Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Manchester**

**11 June 2019**

## Summary of Contributions

Details of contribution rates are included in the Schedule of Contributions which can be made available to members on request.

| | £000 |
|---|---|
| Contributions required by the schedule of contributions | - |
| Per the Fund account | - |

## Approval

The Summary of Contributions was approved and signed by the Trustee Directors on 11 June 2019.

**Signed for and on behalf of R.L. Pensions Trustees Limited by:**

Kevin Dobson

**Trustee Director**

**Trustee Director**
(?ward Levy, Director for
. Law Debenture Pension Trust Corporation p.l.c.

## Actuarial certificate

## Actuary's certification of the schedule of contributions

***Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)***

**Name of scheme:** Royal Liver Assurance Limited Superannuation Fund

**Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are adequate to ensure the Scheme will remain fully funded in relation to its statutory funding objective for the period covered by this schedule.

**Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 13 September 2016.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities if the Scheme were wound up.

**Jonathan Howes**
**Scheme actuary**
**Fellow of the Institute and Faculty of Actuaries**
**Towers Watson Limited**
**13 September 2016**

**1 Wellington Place**
**Wellington Street**
**Leeds**
**LS1 4AP**

## Further information

### The Registrar, TPAS, the Pensions Ombudsman and The Pensions Regulator

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

- information regarding the Scheme has been given to the Registrar of Occupational Pension Schemes;
- the Pensions Advisory Service of 11 Belgrave Road, London, SW1V 1RB is an information service on pension matters;
- the Pensions Ombudsman of 10 South Colonnade, Canary Wharf, E14 4PU may investigate and determine any complaint or dispute of fact or law which they have failed to resolve with the Trustee or the Scheme administrator, in relation to pensions.

In addition to the above, The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or a 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.

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.

### Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to try to resolve any queries raised by beneficiaries or potential beneficiaries of the Scheme and details of this can be obtained by writing to the contact below.

### The Pension Tracing Service

The Pension Tracing Service has been set up to provide a tracing service for members and other prospective beneficiaries, of previous employers' schemes, who have lost touch with earlier employers and trustees. This Scheme is registered, and its registration number is 10005559. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to the Pension Tracing Service at The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU www.gov.uk/find-pension-contact-details.

### Contact for further information

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 the Trustee of the Royal Liver Assurance Limited Superannuation Fund at the following addresses.

Queries from members about their benefit entitlements:

c/o Staff Pensions Team
Royal London House
Alderley Road
Wilmslow
SK9 1PF
Email: RLStaffpensions@royallondon.com
Phone: 01625 604 960

All other queries, including complaints or requests for Scheme documentation:

c/o Staff Pensions Trustee Secretarial
Royal London House
Alderley Road
Wilmslow
SK9 1PF
Email: RLStaffpensions@royallondon.com
Phone: 01625 605 385