Royal Liver Assurance Limited Superannuation Fund

Annual Report and Financial Statements

for the year ended 31 December 2021

Scheme Registration Number: 10005559

Royal Liver Assurance Limited Superannuation Fund

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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** Kevin J Dobson (P) (Chairman up to 10 June 2021) (resigned 29 November 2021) John Feely (I) (appointed 1 September 2021) (Chairman from 1 October 2021) Ronnie Morgan Samantha Scotland (resigned 21 July 2021) The Law Debenture Pension Trust Corporation plc represented by Edward Levy (I) (acting Chair for the period from 11 June 2021 to 30 September 2021) **Member nominated** Eric Bennett (P) Fraser Inglis (D) (I) *Independent trustee* (D) *Deferred member* (P) *Pensioner member*
Scheme secretary	Charlotte Dalton
Scheme actuary	G. Connolly FIA of Towers Watson Limited
Administrators	The Royal London Mutual Insurance Society Limited
Independent Auditors	PricewaterhouseCoopers LLP
Legal advisers	DLA Piper UK LLP Cannings Connolly Solicitors CMS Cameron McKenna LLP Thor Lion LLP
Investment consultant	XPS Consulting Limited
Investment managers	Royal London Asset Management Limited
Investment custodian	HSBC Bank plc (HSBC Securities Services)
Additional Voluntary Contribution (AVC) provider	Scottish Widows Limited
Bankers	HSBC UK Bank plc
Contact for enquiries	Provided on 'Further information' page 39

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 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 2021.

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.

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 14 to 32.

Trustee's report (continued)

Membership

Details of membership of the Scheme as at 31 December 2021 are given below:

Membership movements	Deferred members	Pensioner members	Beneficiaries	Total
At 1 January 2021	**1,164**	**1,738**	**404**	**3,306**
Adjustments to prior year figures	(5)	(3)	2	(6)
At 1 January 2021 revised	**1,159**	**1,735**	**406**	**3,300**
New beneficiaries	1	-	34	35
Transfers out	(9)	-	-	(9)
Retirements	(60)	60	-	-
Deaths	(3)	(60)	(29)	(92)
Commutations	(1)	-	-	(1)
Benefit ceased following 100% pension sharing order	-	(1)	-	(1)
Benefit ceased as no longer in full time education	-	-	(1)	(1)
At 31 December 2021	**1,087**	**1,734**	**410**	**3,231**

An adjustment was made to the prior year figure to reflect an accurate position of the membership of the Scheme as at 1 January 2021 which resulted from late notifications.

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 2021. The increases to pensions in payment were made above the Guaranteed Minimum Pension (GMP) and were effective from 1 April.

Pension element	Increase basis	2021	2020
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%	**0.5%**	**1.7%**
Pension accrued before 6 April 1997 in excess of GMP	Joint discretion of Trustee and Company	**1.0%**	**2.0%**
Pension accrued between 6 April 1997 and 5 April 2005	Statutory increase at CPI, maximum 5%	**0.5%**	**1.7%**
Pension accrued after 5 April 2005	Statutory increase at CPI, maximum 2.5%	**0.5%**	**1.7%**
Consumer Prices Index (CPI)	Increase/(decrease) in year to September	**0.5%**	**1.7%**

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.

Trustee's report (continued)

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 and a further ruling in November 2020 determined that past transfers must also be equalised. The Trustee is now reviewing the implications of these rulings 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 will take many months or even years to complete.

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 39.

The most recent completed triennial valuation of the Scheme was performed as at 31 December 2018. A full actuarial valuation of the Scheme as at 31 December 2021 is being carried out and the results are expected to be available later in 2022. A funding update was performed as at 31 December 2021. The results of the funding update as at 31 December 2021 and the actuarial valuation as at 31 December 2018 are provided in the table below:

Actuarial report date: 31 December	**Funding Update 2021 £'000**	Full Valuation 2018 £'000
Value of technical provisions	**367,800**	308,600
Value of assets available to meet technical provisions (Excluding AVCs)	**411,100**	361,100
Funding surplus	**43,300**	52,500
Funding level as a percentage of technical provisions	**112%**	117%

The deterioration in the funding level shown above has been primarily driven by the impact of the September 2019 Government announcement on the future of the Retail Prices Index ("RPI") and subsequent decision announced in November 2020 to align RPI with the Consumer Prices Index ("CPI") from 2030 leading to a reduction in the Scheme's RPI-linked assets relative to the value of the CPI-linked liabilities.

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) and assets 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:

Trustee's report (continued)

Report on Actuarial liabilities (continued)

The assumptions used to calculate the Scheme's technical provisions are set out in the actuarial report as at 31 December 2018 and are summarised in the following main categories:

- Discount interest rate: single equivalent discount rate of 2.37%
- RPI inflation at 3.42%
- CPI inflation at 2.42%
- Pension increases in deferment at 2.42%
- Pension increases in payment:
    - Pensions accrued before 6 April 1997 at 0%
    - Pensions accrued between 6 April 1997 and 5 April 2005 at 2.42%
    - Pensions accrued after 5 April 2005 at 2.26%
    - GMP pensions accrued after 5 April 1988 at 2.41%
- Mortality for the period in retirement applying the SAPS S3 series tables with multipliers of 95% for male pensioners and dependants, 110% for female pensioners and dependants, 98% for male deferred members, and 105% for female deferred members.

The Scheme actuary's certification of the schedule of contributions agreed following the 2018 valuation is on page 35.

COVID-19 Pandemic

Investment markets experienced another volatile year, with the COVID-19 pandemic and actions taken by governments playing a major role. While individual countries have attempted to manage markets with different approaches, most have used the same basic formula – cutting interest rates to very low levels, using some form of quantitative easing and supporting their economies with various economic support packages such as the UK's furlough scheme. After the shock of 2020, this support has prompted an economic recovery in 2021, albeit with the rebound generally smaller than the scale of the negative impact seen in 2020. At the point of approval of the Trustee's report, the Trustee does not believe there to be a material impact on the employer covenant, however as the situation is fluid and unpredictable the Trustee will continue to keep the situation under review.

The COVID-19 pandemic has brought into focus various risks faced by all pension schemes. The Trustee has continued to be in regular discussion with their advisers and the Royal London Staff Pensions team over the period, to monitor whether any specific actions were necessary or advisable. It has also been able to monitor the performance of the Scheme's assets and liabilities and had regular business updates from Royal London Group over the period. The Trustee acknowledges that as the current situation is easing it will continue to receive regular comprehensive updates from their advisers, administrators and Royal London Group.

The Scheme's administrators continued to administer the Scheme throughout the pandemic with no adverse effect on the payment of members' benefits by implementing business resilience processes. The Trustee considered the liquidity of the investment portfolio and concluded that payment of pension and member transactions (e.g. retirements, transfers) could continue as normal given the liquidity present.

The Trustee does not consider that any of the matters noted above give rise to material uncertainties that may cast significant doubt on 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.

Trustee's report (continued)

Russia - Ukraine Conflict

At the time of writing, the war in Ukraine is ongoing. This terrible situation and the associated uncertainty is impacting investment markets and increasing volatility. Return-seeking assets have been negatively impacted, credit spreads have widened, and markets face large amounts of uncertainty. Already elevated, there is potential for longer term increased inflationary pressures as a result of the impact on energy prices and supply chains. The Trustee has discussed the potential impacts of the conflict with their advisers and the Royal London Staff Pensions Team and will continue to monitor the situation to identify whether any specific actions are necessary or advisable.

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 Occupational Pension Schemes (Investment) Regulations 2005. The current SIP was last updated in September 2020 to reflect the new regulations that took effect from 1 October 2020.

The Trustee reviews the SIP for appropriateness from time to time.

Aligning investment manager activity with the Trustee's investment policies

The Trustee considers the arrangements with the investment managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements with each investment manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the investment managers' tactical asset allocation preferences at any time, within any scope given to them through the allocation parameters set by the Trustee.

The Trustee encourages investment managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term returns. The Trustee also requires the investment managers to take ESG factors including climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term.

The Trustee receives quarterly performance monitoring reports from the investment consultant which consider performance over quarterly, one- and three-year periods. In addition, any significant changes relating to the criteria below that the investment consultant is aware of will be highlighted, which may lead to a change in the investment consultant's rating for a particular mandate. These ratings help to determine an investment manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular investment manager. Investment managers will also attend Trustee meetings as requested.

Investment manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the investment consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the investment consultant to be appropriate for the particular asset class and fund type. Investment managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as investment managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations.

Trustee's report (continued)

Investment Report (continued)

The Trustee requires the investment managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the investment manager expects and the reasons for any divergence.

Trustee's policy on voting rights and social, environmental and ethical factors

The Trustee has examined how rights, including voting rights, attached to investments should be exercised by considering and supporting the UK Stewardship Code ("the Code") issued by the Financial Reporting Council ("FRC").

The Trustee has decided that investment rights should be exercised by the investment managers on its behalf in line with the investment managers' general policies on corporate governance.

The Trustee considers that it is necessary in all circumstances to act in the best financial interests of beneficiaries and, where this primary consideration is not prejudiced, the investment managers can take social, environmental and governance issues into account.

The Trustee encourages investment managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. This expectation is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term returns. The Trustee requires the investment managers to report on significant votes made on behalf of the Trustee.

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

The Trustee considers that the spread of investments both geographically and by investment category enables the Scheme to benefit from potentially higher rates of investment growth in different markets whilst also decreasing the effect that price fluctuations within a particular market may have on the Scheme. The proportion of the Scheme's assets invested in a particular market is determined by reference to the relative rate of return and the relative level of risk associated with that market.

A copy of the SIP is available on request from the contact address set out on page 39 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.

Trustee’s report (continued)

Investment Report (continued)

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, governance and environmental factors when making investment decisions.

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

- 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 below shows the performance of the Scheme’s investments over short and long periods relative to the appropriate benchmarks.

Annualised return over	**1 year**	**3 years**	**Allocation**
LDI[1] and Credit portfolio	**3.1%**	**9.1%**	**100%**
Benchmark	**1.0%**	**6.4%**	**-**

Gross of fees performance is shown unless otherwise stated

[1] LDI – Liability-Driven Investments

The combined LDI and Credit Portfolio has provided solid performance over the year. The LDI portfolio remains well positioned to provide the desired level of hedging.

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.

Employer related investments

There were no employer related investments held directly or indirectly by the Scheme as at year-end (2020: None).

Trustee's report (continued)

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.

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.

The Trustee is also responsible for the maintenance and integrity of the annual report and financial statements on the Royal London Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Trustee's report (continued)

Statement of Trustee's responsibilities (continued)

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 39. A copy of this annual report and financial statements is available on the Royal London Group website at at https://www.royallondon.com/about-us/corporate-information/key-financial-information/group-pension-schemes.

Approval

The Trustee's report on pages 2 to 10 was approved and signed by the Trustee Directors on 21 June 2022.

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

John Feely

Trustee Director

Independent auditors' report to the Trustee of 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 2021, 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 2021; 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 other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

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

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

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 ensuring that the financial statements are prepared in accordance with the applicable framework 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

Responsibilities for the financial statements and the audit (continued)

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
21 June 2022

Fund account for the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Contributions and other income			
Other Income		**3**	2
Benefits and other payments			
Benefits	*4*	**12,457**	11,128
Payments to and on account of leavers	*5*	**1,271**	1,822
Administrative expenses	*6*	**752**	761
		14,480	13,711
Net withdrawals from dealings with members		**(14,477)**	(13,709)
Returns on investments			
Investment income	*7*	**6,869**	7,442
Change in market value of investments	*10*	**2,909**	37,154
Investment management expenses	*8*	**(760)**	(770)
Net returns on investments		**9,018**	43,826
Net (decrease)/increase in the fund during the year		**(5,459)**	30,117
Opening net assets		**417,917**	387,800
Closing net assets		**412,458**	417,917

The notes to the financial statements on pages 16 to 32 form part of these financial statements.

Statement of net assets available for benefits as at 31 December 2021

	Note	**2021 £'000**	2020 £'000
Investment assets			
Bonds	*10*	**560,879**	520,077
Derivatives	*11*	**4,705**	247
AVC investments	*12*	**1,391**	1,655
Reverse repurchase agreements receivable	*10*	**183,887**	108,348
Cash	*13*	**4,997**	5,445
Other investment balances	*14*	**3,456**	7,937
		759,315	643,709
Investment liabilities			
Bonds sold short	*10*	**(162,829)**	(108,147)
Derivatives	*11*	**(253)**	(648)
Repurchase agreements payable	*10*	**(184,468)**	(119,348)
Other investment balances	*14*	**(1,460)**	(547)
		(349,010)	(228,690)
Total net investments		**410,305**	415,019
Current assets	*20*	**2,854**	3,378
Current liabilities	*21*	**(701)**	(480)
Total net assets available for benefits		**412,458**	417,917

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial liabilities on pages 4 and 5 of the annual report and these financial statements should be read in conjunction with this report.

The notes to the financial statements on pages 16 to 32 form part of these financial statements.

The financial statements on pages 14 to 32 were approved and signed by the Trustee Directors on 21 June 2022.

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

John Feely

Trustee Director

Notes to the financial statements

1. General information

The Scheme is an occupational pension scheme established by the Trust Deed dated 5 December 2003 under English law. 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 June 2018) ("the SORP").

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). Contribution

Employers additional contributions are accounted for in accordance with the agreement under which they are paid or in the absence of an agreement, when received.

(d). Other income

Other income is accounted for on a receipt basis.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(e). 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.

Tax liability arising on a member's excess annual or lifetime allowance settled by the scheme is recovered from the member.

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

(f). 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. In the case of individual transfers, this is normally when the payment of the transfer value is made.

(g). Administrative and other expenses

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

(h). Investment income and expenses

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 is accounted for on an accruals basis.

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.

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.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(h). Investment income and expenses (continued)

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees

(i). 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 traded on an active market are included at the quoted price, which is normally the bid price.
- The value of other bonds which are unquoted or not actively traded on a quoted market is estimated by the Trustee.
- 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.
- The Scheme recognises assets delivered under repurchase agreements to reflect its ongoing interest in those securities. Cash received from repurchase agreements is recognised as an investment asset and an investment liability is recognised for the value of the repurchase obligation including accrued interest.

  The Scheme does not recognise assets received under reverse repurchase agreements. Cash delivered under such agreements is recognised as an investment receivable.
- Accrued interest is excluded from the market value of bonds and bonds sold short but is included in other investment balances.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

(j). 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 are disclosed but not recognised as Scheme assets.

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.

(k). Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no critical judgements in applying the accounting policies.

Key accounting estimates and assumptions - the Trustee makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 2 and 3 of the fair-value hierarchy.

4. Benefits

	2021	2020
	£000	£000
Pensions	**10,137**	9,946
Commutations and retirement lump sums	**2,320**	1,182
	12,457	11,128

5. Payments to and on account of leavers

	2021	2020
	£000	£000
Individual transfers to other schemes	**1,271**	1,822

Notes to the financial statements (continued)

6. Administrative expenses

	2021 £000	2020 £000
Administration fees	**320**	397
Trusteeship fees	**51**	40
Actuarial fees	**184**	190
Levies paid to the Pensions Regulator	**30**	32
Audit fees	**20**	19
Legal fees	**101**	82
Consultancy fees	**46**	-
Sundry expenses	**-**	1
	752	761

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

	2021 £000	2020 £000
Income from bonds	**9,853**	10,912
Interest paid from bonds sold short	**(2,800)**	(1,854)
Net payments on swaps	**(10)**	(1,550)
Interest on cash deposits	**-**	7
Income from reverse repurchase agreements	**(7)**	223
Interest paid/payable on repurchase agreements	**(164)**	(296)
Other Investment Income	**(3)**	-
	6,869	7,442

8. Investment management expenses

	2021 £000	2020 £000
Administration and management	**603**	595
Custodian charges	**35**	34
Investment advisory	**96**	123
Investment performance fees	**11**	11
Investment transaction fees	**15**	7
	760	770

Notes to the financial statements (continued)

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. There were no such costs this year (2020: nil).

10. Reconciliation of net investments

	Value as at 1 January 2021 £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Change in market value £000	**Value as at 31 December 2021 £000**
Bonds – Net	411,930	374,113	(380,521)	(7,472)	**398,050**
Derivatives – Net	(401)	554,266	(559,697)	10,284	**4,452**
AVC investments	1,655	-	(361)	97	**1,391**
	413,184	928,379	(940,579)	2,909	**403,893**
Cash	5,445				**4,997**
Other investment balances – Net	7,390				**1,996**
Reverse repurchase agreements receivable	108,348				**183,887**
Repurchase agreements payable	(119,348)				**(184,468)**
	1,835				**6,412**
Net investment assets	415,019			2,909	**410,305**

Gilts with a market value as at 31 December 2021 of £183.6 million (2020: £108.6m) were received under the reverse repurchase agreements. These gilts are not recognised as assets of the Scheme.

In the table above, Bonds reflects a net position comprising £560.9 million (2020: £520.1 million) of bond assets and £162.8 million (2020: 108.1 million) of bond liabilities due to short selling of bonds.

Gilts with a market value as at 31 December 2021 of £182.0 million (2020: £119.4 million) were delivered under the repurchase agreements. These gilts are recognised as assets of the Scheme and are included in the bonds.

Notes to the financial statements (continued)

11. Derivatives

Over the counter contracts	Assets £000 (2021)	Liabilities £000 (2021)	Total £000 (2021)	Assets £000 (2020)	Liabilities £000 (2020)	Total £000 (2020)
Total return swaps	-	-	-	-	(226)	(226)
Interest rate swaps	**2,237**	**(253)**	**1,984**	247	(279)	(32)
Inflation swaps	**2,468**	**-**	**2,468**	-	(143)	(143)
	4,705	**(253)**	**4,452**	247	(648)	(401)

Objectives and policies for holding derivatives

The Trustee allows RLAM 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 RLAM 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:

Notes to the financial statements (continued)

11. Derivatives (continued)

(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.

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	2021 Net £000
Interest rate swaps						
Pay fixed interest for variable (6 month SONIA)	10-20 years	1	45,000	**2,237**	**-**	**2,237**
Receive variable (6 month SONIA) for fixed	10-20 years	1	25,000	**-**	**(253)**	**(253)**
Inflation swaps						
Pay fixed interest for RPI	Over 20 years	1	10,000	**2,468**	**-**	**2,468**
				4,705	**(253)**	**4,452**

Notes to the financial statements (continued)

12. 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:

	2021	2020
	£000	£000
Scottish Widows Limited	**1,391**	1,655
	1,391	1,655

13. Cash

	2021	2020
	£000	£000
Cash held by investment managers	**4,995**	5,319
Cash Collateral	**2**	126
	4,997	5,445

14. Other investment balances

	2021	2020
	£000	£000
Accrued interest receivable	**3,456**	3,568
Investment income receivable	-	297
Cash Collateral Receivable	-	4,072
	3,456	7,937
Accrued interest payable	**(710)**	(423)
Cash Collateral Payable	**(750)**	(124)
	(1,460)	(547)
	1,996	7,390

Notes to the financial statements (continued)

15. 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 2021 of £0.0 million (2020: £0.3 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 2021 of £2.4 million (2020: £0.3 million). The pledged assets are included in the net investment assets.

Notes to the financial statements (continued)

16. 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

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

Asset category		**Hierarchy level**		**2021**
	1	**2**	**3**	**Total**
Investment assets	**£000**	**£000**	**£000**	**£000**
Bonds – Net	**133,489**	**263,171**	**1,390**	**398,050**
Derivatives	**-**	**4,705**	**-**	**4,705**
AVC investments	**-**	**-**	**1,391**	**1,391**
Reverse repurchase agreements receivable	**-**	**183,887**	**-**	**183,887**
Cash	**4,997**	**-**	**-**	**4,997**
Other investment balances	**3,456**	**-**	**-**	**3,456**
	141,942	**451,763**	**2,781**	**596,486**
Investment liabilities				
Derivatives	**-**	**(253)**	**-**	**(253)**
Repurchase agreements payable	**-**	**(184,468)**	**-**	**(184,468)**
Other investment balances	**(1,460)**	**-**	**-**	**(1,460)**
	(1,460)	**(184,721)**	**-**	**(186,181)**
Total net investments	**140,482**	**267,042**	**2,781**	**410,305**

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)

16. Fair value of investments (continued)

An analysis for the prior year end hierarchical levels of the Scheme's investment assets and liabilities can be seen below:

Asset category	1	Hierarchy level 2	3	2020 Total
Investment assets	**£000**	**£000**	**£000**	**£000**
Bonds – Net	130,077	280,994	859	411,930
Derivatives	-	247	-	247
AVC investments	-	-	1,655	1,655
Cash	5,445	-	-	5,445
Other investment balances	7,937	-	-	7,937
Reverse repurchase agreements receivable	-	108,348	-	108,348
	143,459	389,589	2,514	535,562
Investment liabilities				
Derivatives	-	(648)	-	(648)
Repurchase agreements payable	-	(119,348)	-	(119,348)
Other investment balances	(547)	-	-	(547)
	(547)	(119,996)	-	(120,543)
Total net investments	142,912	269,593	2,514	415,019

17. 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)

17. 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:

- 100% 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).

The Scheme's investments are operated by investment manager: RLAM. The Trustee and their advisors carry out thorough due diligence before the appointment of new managers and before any new monies are allocated to a new fund. The Trustee is also required to take appropriate investment advice from a qualified professional, XPS Investment (part of XPS Pensions Group). All decisions made by the Trustee in relation to the investment strategy are subject to and comply with Section 36 of the Pensions Act 1995.

Notes to the financial statements (continued)

17. Investment risks (continued)

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.

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 the investment manager 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 can invest in pooled investment vehicles and can therefore be directly exposed to credit risk arising from those pooled fund investment vehicles. However no pooled investment vehicles were held at year end 2021.

The Scheme is also subject to direct credit risk arising from investments in bonds, over-the-counter ("OTC") derivatives, reverse repurchase agreements and cash balances. Credit risk arising on bonds held directly (see note 10) is mitigated by investing in government bonds of £145.4 million (2020: £143.2 million) where the credit risk is minimal or holding corporate bonds & fixed interest of £252.6 million (2020: £268.7 million) with an investment-grade credit rating, across a diversified exposure of different credit issuers. There are no holdings in below investment grade corporate bonds & fixed interest (2020: nil).

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

Currency risk

The Scheme is not exposed to the currency risk as all investments are made in GBP.

Interest rate risk

The Scheme is subject to direct interest rate risk because the majority of the Scheme's investments are held in government and corporate bonds, gilt repurchase agreements and interest rate swaps (via segregated investments), and cash. The Trustee has set a benchmark for matching assets (comprising bonds, derivatives and cash) of 100% 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 100% of the total investment portfolio (2020: 100%).

Notes to the financial statements (continued)

17. Investment risks (continued)

Other price risk

All of the Scheme's assets are exposed to price risk, due to the Managers' exposure to underlying asset classes, their ability to use derivatives within the funds and the additional factors which determine an asset's price, beside those described above. These additional factors can include liquidity concerns and inflation expectations.

The Trustee is aware of these risks and the Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various asset classes and markets.

18. Concentration of investments

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

	2021		2020	
	£000	**%**	£000	%
REVERSEREPO GB00BL68HH02 0.1% 27/01/2022[1]	**49,028**	**11.89**	-	-
REVERSEREPO GB00B52WS153 0.16% 27/01/2022[1]	**33,564**	**8.14**	-	-
REVERSEREPO GB00BTHH2R79 -0.25% 22/02/2022[1]	**31,818**	**7.71**	-	-
REPO GB00B3Y1JG82 0.25% 27/01/2022[1]	**(33,305)**	**(8.07)**	-	-
REPO GB00B85SFQ54 0.25% 27/01/2022[1]	**(37,936)**	**(9.20)**	-	-
Reverse Repo GB00BTHH2R79 0.02% 06/01/2021[1]	**-**	**-**	33,126	7.93
Repo GB00B1Z5HQ14 0.09% 26/02/2021[1]	**-**	**-**	(28,653)	(6.86)
Repo GB00B85SFQ54 0.09% 26/02/2021[1]	**-**	**-**	(35,846)	(8.58)
	43,169		(31,373)	

[1]The reverse repo arrangement and repo arrangements are matched by a similar exposure in bonds sold short and bonds respectively.

Exposure to UK Gilts of greater than 5% Scheme assets have been omitted from the above disclosure, in accordance with the exemption allowed by the Audited Accounts Regulation.

19. Employer related investments

There are no employer related investments held by the Scheme as at the year end (2020: none).

20. Current assets

	2021	2020
	£000	£000
Cash balances	**1,988**	2,448
Benefits paid in advance	**732**	731
Tax on pensions receivable	**99**	98
Other debtors	**35**	101
	2,854	3,378

Notes to the financial statements (continued)

21. Current liabilities

	2021	2020
	£000	£000
Amounts due to employer	**(160)**	(159)
Accrued expenses	**(541)**	(321)
	(701)	(480)

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

22. Related party transactions

a. Transactions with key management personnel

Trustee Directors

During the year two Trustee Directors (2020: two) were each in receipt of pensions from the Scheme and these are included in note 4.

Two Trustee Directors received director's fees during the year amounting to £14,375 (2020: £7,500) and are included in note 6.

During the year one Trustee Director (2020: two) claimed travel expenses for attendance at Trustee meetings. The expenses paid during the year amounted to £750 (2020: £1,215) 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 2021 this amounted to £36,074 (2020: £31,370) and is included in note 6. Fees amounting to £4,800 (2020: £4,823) were payable by the Scheme as at year-end and are included in note 21.

b. Transactions with other related parties

i) The principal 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 £186,885 (2020: £211,491) and are included in note 6. An amount of £53,762 (2020: £57,385) was payable by the Scheme as at the year-end and is included in note 21.

Notes to the financial statements (continued)

22. Related party transactions (continued)

b. Transactions with other related parties (continued)

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 amounted to £602,029 (2020: £585,378) and are included in note 8. Fees amounting to £106,233 (2020: £101,733) were payable by the Scheme as at the year-end and are included in note 21.

iii) Pension Payments

Members of the Royal Liver Assurance Superannuation Fund that receive their pension payment in euros are paid via the Royal Liver Assurance Superannuation Fund (ROI) pension payroll. The Royal Liver Assurance Superannuation Fund (ROI) is reimbursed immediately after the payroll is made to reflect the correct impact to the fund and financial statements.

23. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 December 2021 other than GMP benefits equalisation below (2020: 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 Pension between May 1990 and April 1997 must be equalised between men and women.

A further judgement in November 2020 extended this requirement to former members who transferred out of the scheme after 1990.

The Trustee is now reviewing the implication of these rulings 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. As soon as this review is finalised affected members will be communicated with. No accrual has been made in these financial statements for any back payments potentially payable.

As at both 31 December 2021 and 31 December 2020, the Scheme had contractual commitments in the form of stock collateral arrangements which are disclosed in note 15.

24. Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

Independent Auditors' Statement about Contributions to the Trustee of 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 2021 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 19 November 2019.

We have examined Royal Liver Assurance Limited Superannuation Fund's summary of contributions for the Scheme year ended 31 December 2021 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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

21 June 2022

Summary of Contributions

Details of contribution rates are included in the Schedules 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 21 June 2022.

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

John Feely

Trustee Director

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)

Actuary's certification of the schedule of contributions

Name of scheme: Royal Liver Assurance Limited Superannuation Fund

Adequacy of rates of contributions

1 I hereby certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is in force.

Adherence to statement of funding principles

2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated October 2019.

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.

Signature Gareth Connolly Date 19/11/19

Gareth Connolly
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson Company

Belvedere
12 Booth Street
Manchester
M2 4AW

Implementation Statement, covering 1 January 2021 to 31 December 2021

Purpose

This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights attached to the investments of the Royal Liver Assurance Limited Superannuation Fund (the "Fund") and engagement activities have been followed during the year ended 31 December 2021 ("the reporting year").

Background

The Trustee has received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues which are reflected in the Statement of Investment Principles dated September 2020.

The Trustee's Responsible Investment Policy

The Trustee has considered its approach to environmental, social and corporate governance ESG factors for the long term time horizon of the Fund and believes there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks including those related to climate change to the Fund's investment manager. The Trustee requires the investment manager to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

Similarly, the Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Fund's investments to the investment manager. The Trustee encourages the manager to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

The Trustee reviewed its approach to ESG in October 2021 with a view to understanding how the approach could be developed. As part of this the Trustee agreed to create a Responsible Investment policy to document the Trustee's beliefs. At the time of writing this statement, the Trustee was in the process of drafting this policy. The policy will include the Trustee's views on issues such as the screening of investments, carbon emissions, stewardship and monitoring.

Ongoing governance

The Trustee, with the assistance of XPS, will monitor the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement. Such issues are of greatest relevance to asset managers, who are authorised in the UK.

During the reporting year, the Trustee commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the Fund's investment manager. The conclusion of the report was that XPS had seen evidence of progress made by RLAM over the preceding 12 months. ESG considerations and stewardship are embedded into their processes but the extent to which this is done successfully varies within their approach, which continues to evolve. The Trustee recognises that the level of ESG integration within the investment processes is dependent on the asset class in question.

The Trustee also met with the investment manager in November 2021 to specifically discuss ESG considerations. This discussed focussed on three key areas:

- The investment manager's plan to achieve net zero carbon emissions by or before 2050 (in line with the Paris agreement);
- ESG integration and stewardship within the Fund's Buy & Maintain Credit portfolio; and
- Carbon reporting in light of upcoming Taskforce on Climate-related Financial Disclosures ("TCFD") reporting requirements.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee was satisfied that they followed their policy on the exercise of rights and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Fund had no investments in equities as part of the strategy over the reporting year. Therefore, there are no voting activities to report in this section.

Further information

The Registrar, MaPS, the Pensions Ombudsman and The Pensions Regulator

In accordance with The Occupational and Personal Pensions Schemes (Disclosure of Information) Regulations 2013 and subsequent (Amendment) Regulations 2015, members are advised that:

- information regarding the Scheme has been given to the Registrar of Occupational Pension Schemes;
- The Money and Pensions Service (MaPS) of Holborn Centre, 120 Holborn, London, EC1N 2TD (https://moneyandpensionsservice.org.uk)) is an information service on pension matters;
- the Pensions Ombudsman of 10 South Colonnade, Canary Wharf, London, E14 4PU (https://www.pensions-ombudsman.org.uk) 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 Auditors 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.

Further information (continued)

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 deferred and pensioner members about their benefit entitlements:

c/o Staff Pensions Team
Royal London Group
Alderley Park
Congleton Road
Nether Alderley
Macclesfield
SK10 4EL
Email: rlstaff.pensions@royallondon.com
Phone: 01625 717 936

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

Staff Pensions Trustee Secretarial
Royal London Group
Alderley Park
Congleton Road
Nether Alderley
Macclesfield
SK10 4EL
Email: staff.pensions@royallondon.com
Phone: 01625 717 188