

Royal London Group Pension Scheme

Annual Report and Financial Statements

for the year ended 31 December 2014

Scheme Registration Number: 100154281

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

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Trustee and advisers

Principal employer	The Royal London Mutual Insurance Society Limited (the Company)
Corporate Trustee	RLGPS Trustee Limited
Trustee Directors	Richard Balding (Chairman) John Tovey (Pensioner member nominated director – reappointed 1 January 2014) Ewan Smith (Member nominated director) Victoria Muir (Employer nominated director-resigned 2 May 2014) Sam Blackie (Employer nominated director) Jon Taylor (Employer nominated director-appointed 11 December 2014) The Law Debenture Pension Trust Corporation plc represented by Richard Main until 31 March 2014 and Andrew Parker from 1 April 2014
Secretary to the Trustee	Royal London Management Services Limited represented by Janet Murray until 30 June 2014 Royal London Management Services Limited represented by Michael Burt from 1 July 2014
Scheme actuary	Jonathan Howes of Towers Watson Limited
Administrators	Towers Watson Limited
Independent auditors	PricewaterhouseCoopers LLP
Legal advisers	CMS Cameron McKenna LLP Cannings Connolly Solicitor Slaughter and May
Investment consultant	Lane Clark & Peacock LLP
Investment managers	Royal London Asset Management Limited Royal London Cash Management Limited (novated to Royal London Asset Management 1 October 2014)
Investment custodian	HSBC Bank plc
Additional Voluntary Contribution (AVC) providers	Clerical Medical Investment Group Limited Royal London Group (Scottish Life - a division of The Royal London Mutual Insurance Society Limited) Scottish Widows plc The Equitable Life Assurance Society
Bankers	HSBC Bank plc National Westminster Bank plc

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Chairman's Statement

I am pleased to present the Annual report and financial statements of the Royal London Group Pension Scheme ("the Scheme") for the year ended 31 December 2014. The Scheme is a distinct legal entity managed by the Trustee (RLGPS Trustee Limited).

In the first half of 2014 the Trustee finalised the Scheme's three yearly formal actuarial review to determine the Scheme's funding level as at 31 December 2013. This detailed investigation of the Scheme's funding position allowed us to meet our statutory reporting and other obligations and forms the basis of our ongoing review of investment strategy.

Information on the actuarial review is provided on page 9 of this annual report. Whilst the formal review revealed a surplus as at 31 December 2013, over the course of 2014 we, like many other UK pension schemes, experienced a fall in funding level as interest rates continued to fall. The Trustee and its advisors are working with the investment managers and the Company to consider whether any changes to investment strategy are appropriate but we also have to accept that in line with financial markets the funding level will be volatile. The Trustee remains confident that the Company has the resources to support the Scheme if necessary.

In his autumn statement last year the Chancellor announced major changes to the pensions landscape and the flexibility with which individuals can draw their defined contribution pension benefits. Although mostly relevant to defined contribution benefits, ahead of their introduction in April 2015 we have been working to assess the impact the changes on our defined benefit scheme and the defined contribution benefits we offer through external AVCs policies.

Financial position

The formal three-year valuation of the Scheme's funding level as at 31 December 2013 confirmed that the Scheme was in surplus with a funding level of 103% (a surplus of £60 million).

However, the fall in bond yields at the end of 2014 meant that the funding level has reduced and the Scheme Actuary's assessment at 31 December 2014 is that the Scheme was in modest deficit with a funding level of 98% (a deficit of £58.8 million). Our investment strategy worked to dampen some of the impact of the market volatility experienced during 2014 and the Trustee continues to look for opportunities to extend our hedge protection in a cost effective manner in order to minimise this risk.

Our investment managers performed well in this challenging environment but delivered a return of 0.6% below benchmark during the year, mainly due to positioning for an expected increase in interest rates.

Covenant

The Trustee Directors' assessment of the strength of the Company's Covenant is central to our management of the Scheme. It affects, in particular, the Trustee Directors' criteria for the assumptions underlying the valuation and the judgement necessary for determining the appropriate risk and reward positioning in our investment strategy.

In this context, it was pleasing to note that Royal London Group reported another strong financial performance during 2014 with increased new business, profit and capital strength. The Standard and Poor's credit rating for Royal London Group remained at 'A (Stable)' since its upgrade in May 2013 reflecting, in particular, the weighting given to Royal London Group's financial strength.

The Trustee Directors' assessment of the Covenant remains that it is strong. We continue to enjoy a positive relationship with Royal London Group and regular arrangements are in place to keep the Trustee appropriately informed of relevant developments and progress.

At the end of the year, the transfer of the life business of Royal London (CIS) Limited into the Company was completed, under Part VII of the Financial Services and Markets Act 2000. This was the last step in the integration of the former Co-operative Life & Savings businesses into the Royal London Group. This has no direct financial impact on the Scheme but is expected to improve the strength of the Company's Covenant to the Scheme.

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Chairman's Statement (continued)

The Covenant is enhanced by a contingent asset framework which reflects the positive nature of Royal London Group's attitude to its Scheme obligations. The framework provides that Royal London Group will ring-fence specific assets within its long-term funds to support the Scheme in the event that the ongoing funding level was to fall below 95%. The arrangement provides an additional level of security for the Scheme and its members.

Investment developments

During 2014 the Trustee increased the benchmark allocation to UK property to 8%. This is a strategic positioning for the long term as property is viewed as a good income generating investment to support pensions in payment as well as a diversifier from UK equities. We continue to work with our advisors and investment manager, Royal London Asset Management Limited, to assess further opportunities to improve risk-adjusted returns on the Scheme's assets.

Pension increases

During 2014, those pensions with guaranteed increases were increased in line with the Scheme's Rules. Royal London Group awarded an increase of 2.5% to pensions in payment (in excess of guaranteed minimum pensions) to those pensions without guaranteed increases.

The Trustee Directors themselves have only limited power to award discretionary pension increases – specifically their power extends only to former members of the Scottish Life Officers and Directors Schemes ("SLORBS" and "SLDRBS") and only when inflation (measured by RPI) exceeds 3% per annum. Since RPI did not exceed 3% in 2014, the Trustee Directors did not have the power to award additional discretionary increases to these members.

In December 2014, Royal London Group advised the Trustee that in 2015 it would award discretionary increases of 1% to those pensions without guarantees (in excess of guaranteed minimum pensions). No additional discretionary increases were awarded to SLORBS or SLDRBS members.

Administration

In 2014 we introduced on-line access for all pensioner members to their core pension records. We are continuing to look at the options available to further improve accessibility for members to their data.

Over the course of 2014 we reviewed the services provided by our external administrator (Towers Watson) and have negotiated a new competitive contract to include additional reporting services for the Trustee Directors and an improved telephone service for members.

Governance

Effective and efficient governance of the Scheme continues to be a key focus for the Trustee and we followed 2013's successful review of the Scheme's risk control environment with a Board effectiveness self-assessment and training session in June 2014. We found that the Board and our procedures were working effectively and have implemented some further improvements in line with our philosophy of continuous improvement.

We also reviewed our practices against the Pensions Regulator's Code of Practice for Defined Contribution ('DC') schemes. Although the Scheme offers predominantly defined benefit pension benefits, the Scheme does provide some historic and continuing defined contribution benefits via external provider Additional Voluntary Contribution policies. With the assistance of our advisers the Trustee reviewed and assessed our systems, processes and controls across key governance functions to ensure they are consistent with those set out in the Code in respect of these AVC arrangements. I am pleased to report that we meet the requirements.

Trustee Directors and Advisers

I am pleased to have welcomed Jon Taylor to the Board as a new employer appointed Trustee Director, with effect from 11 December 2014. Jon, who is the Managing Director of Royal London's subsidiary business Ascentric and is a member of the Group's Executive Committee, was appointed by Royal London to fill the vacancy left by Victoria Muir, following her resignation as a Trustee Director.

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Chairman's Statement (continued)

I am also pleased to welcome Michael Burt, who joined as our new Scheme Secretary in July 2014. Michael replaces Janet Murray who has served as our secretary for a number of years. I would like to take this opportunity to thank both Janet and Victoria for the most valuable part they have played in the management of the Scheme.

We have not made any changes to our advisers and providers this year, but have continued our process of reviewing each of our advisers and providers on a rolling basis.

The Year Ahead

During 2015 we will continue our work to maintain and further enhance the governance and investment structures for the Scheme. Consideration of the implications of regulatory and legislative changes and those which affect the Covenant (for instance Solvency II) will also be a key focus for us. In particular, we will be reviewing and monitoring how the April 2015 pension flexibility changes affect how people draw their benefits and the impact for members and the Scheme. However it should be noted that the large majority of these changes affect defined contribution benefits and therefore the impact on the Scheme (which is primarily a defined benefit scheme, save for the Additional Voluntary Contribution arrangements) is ancillary.

As always, I would like to take this opportunity to thank all your Trustee Directors and our advisers for their conscientious work on behalf of the members over the last year.



Richard E Balding

Chairman of RLGPS Trustee Limited

Date: 15 June 2015

Royal London Group Pension Scheme

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Trustee's report

Introduction

The Trustee Directors of the Scheme present their annual report together with the investment report, actuarial certificates, compliance statement and financial statements for the year ended 31 December 2014.

The Scheme is established to provide retirement benefits to all eligible employees of Royal London Group. The Scheme is a final salary pension scheme whereby benefits are payable to members in accordance with the Scheme Rules based on their length of service, accrual rate and their pensionable earnings as defined by the Scheme Rules prior to leaving the service of Royal London Group.

Members who commenced service after 29 November 2001 joined the Scheme (previously the United Assurance Group Pension Scheme, subsequently renamed). The original base schemes that transferred into the Scheme in 2004 were as follows:

- Refuge Assurance Superannuation Fund (RASf)
- Royal London Staff Pension Fund (RLSPF)
- Scottish Life Directors' Retirement Benefits Scheme (SLDRBS)
- Scottish Life International Officers' Retirement Benefits Scheme (SLIORBS)
- Scottish Life Officers' Retirement Benefits Scheme (SLORBS)
- United Friendly Group Pension Scheme (UFGPS)

On 1 September 2005 the Scheme was closed to new members, with the exception of new employees within the Royal London Group who are admitted to the Scheme for life cover benefits.

Trustee

The Scheme is governed by a definitive Trust Deed and Scheme Rules.

The Scheme is overseen by the Trustee Directors who are required to act in accordance with the Trust Deed and the Scheme Rules and the Memorandum and Articles of Association of the Trustee company, within the framework of pension and trust law. The Trustee Directors are appointed and removed in accordance with the Trust Deed. The member nominated trustee arrangements are determined by the Trustee. There were six meetings of the Trustee during the year. Voting at Trustee meetings is by simple majority except in the event of an equality of votes when the Chairman has the casting vote.

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Trustee's report (continued)

Pension increases

Entitlement to pension increases depends on the base scheme and the period in which the pension is earned. Pension increases were awarded during 2014 as provided in the table below for all pensions in payment in excess of the guaranteed minimum pension. New pensions commencing after the 2013 pensions increase date were increased on a proportional basis.

2014 pension increases in respect of pensions accrued before 1 April 2011							
Base Scheme³	Pension in excess of Guaranteed Minimum Pension accrued before 6 April 1997		Pension accrued after 5 April 1997 and before 30 November 2001		Pension accrued after 29 November 2001		Pension increase date
	2014	2013	2014	2013	2014	2013	
RLGPS (standard benefits members)	n/a	n/a	n/a	n/a	3.2%	2.6%	01-Jul
RASF Scheme II (members joining before 1 August 2001)	2.1% ¹	3.3%	2.5%	2.2%	2.5%	3.3%	01-Jul
RASF Scheme II (members joining from 1 August 2001)	n/a	n/a	3.2%	2.6%	3.2%	2.6%	01-Jul
RLSPF	2.5%	2.5%	2.7%	2.2%	3.2%	2.6%	01-Apr
UFGPS (contracted-in before 17 September 2002 leavers)	2.5%	2.5%	2.7%	2.2%	2.7%	3.2%	01-Apr
UFGPS (contracted-out before 17 September 2002 leavers)	2.7%	3.0%	2.7% ²	3.0%	2.7%	3.2%	01-Apr
SLORBS	2.6%	3.0%	2.7%	3.0%	3.2%	2.6%	01-Jan
SLIORBS	2.5%	3.3%	2.5%	3.3%	2.5%	3.3%	01-Jul
SLDRBS	2.6%	3.0%	2.7%	3.0%	n/a	n/a	01-Jan

¹ Special arrangements in first year following retirement apply. No increase was applied at 1 July in the calendar year of retirement.

² Increase of higher of (a) 2.7% on cumulative RPI amount or (b) 2.7% on pension in payment on the pension benefits for members contracted out before September 2002.

³ There are some other small categories of members whose increases differ slightly to those shown in the table above. Those affected have been communicated to separately.

Pension benefits accrued after 31 March 2011 were increased at a rate equal to the Consumer Prices Index ("CPI") subject to a maximum of 2.5%. All increases in 2014 were granted in line with the legal advice received. Over the course of 2014 the Scheme's administrators continued reviewing historical increases to ensure that no members received incorrect pension increases. Those affected will have been notified and any differences are not expected to be significant.

The increases above were applied to both guaranteed and discretionary elements as appropriate.

Royal London Group Pension Scheme

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Trustee's report (continued)

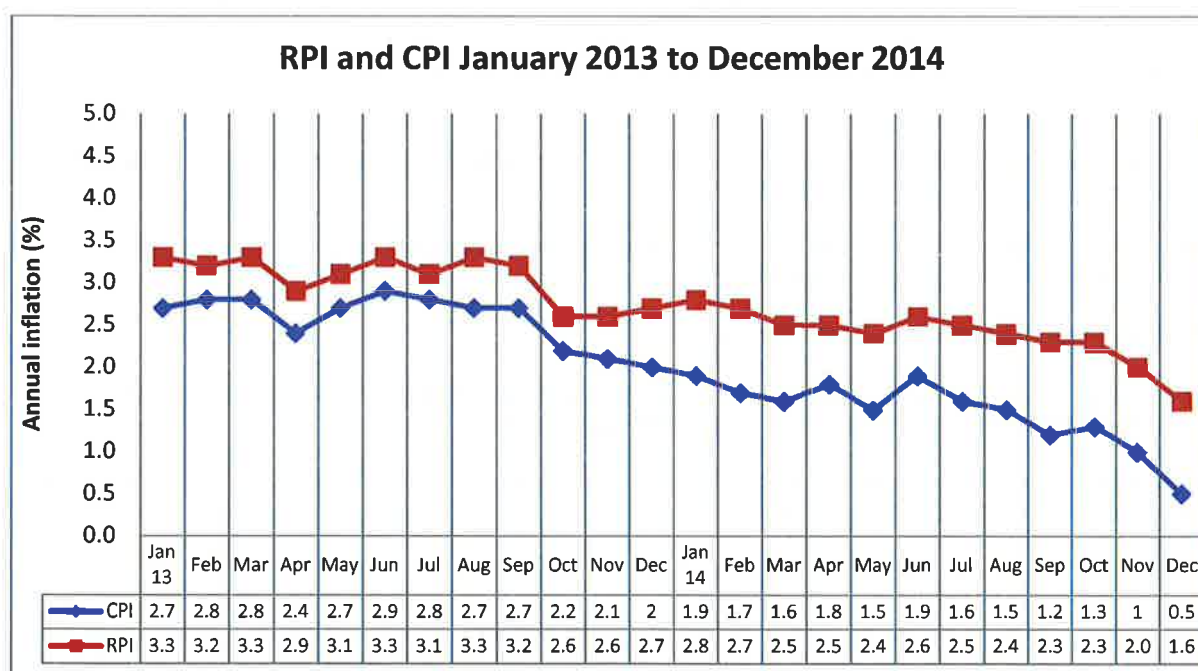
Pension increases (continued)

In 2015, the Company granted a discretionary increase at the rate of 1.0% to pensions in payment with no guaranteed increases (in excess of guaranteed minimum pensions). All other pensions in payment increased in line with either the Scheme's Rules and/or pensions legislation.

Pensions in deferment accrued prior to 6 April 2009 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")) except for RLSPF members (whose increase remains linked to the RPI in accordance with the Scheme's Rules) or to the increase produced by the application of 5% per annum, whichever is the lower.

Pensions in deferment accrued after 5 April 2009 are revalued in accordance with the Pension Schemes Act 2008, at a rate equal to the increase in the CPI (prior to 1 January 2014 at RPI) or to the increase produced by the application of 2.5% per annum, whichever is the lower.

Pensions in payment and in deferment may be linked to RPI or CPI and to the annual change in RPI or CPI over annual periods ending on different months depending on the base scheme and the period of accrual. The graph below shows how annual RPI and CPI have changed over the period from 1 January 2013 to 31 December 2014.



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. With effect from 1 January 2004 Royal London Group ceased to allow the Trustee Directors to accept transfers into the Scheme.

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Trustee's report (continued)

Membership

Details of membership of the Scheme are given below:

	Active members	Deferred members	Pensioner members	Beneficiaries	Total
At 1 January 2014	1,084	12,104	8,543	2,196	23,927
Adjustments to prior year figures	(8)	(3)	12	2	3
At 1 January 2014 revised	1,076	12,101	8,555	2,198	23,930
New members	-	1	-	137	138
Leavers - deferred benefits	(46)	46	-	-	-
Transfers out	-	(60)	-	-	(60)
Retirements	(16)	(272)	288	-	-
Deaths	-	(14)	(259)	(130)	(403)
Commutations	-	(53)	(7)	(36)	(96)
Cessations	-	-	-	(1)	(1)
At 31 December 2014	1,014	11,749	8,577	2,168	23,508

In addition to the above, the Scheme had 1,456 (2013: 1,479) members with life assurance cover only as at 31 December 2014.

Adjustments were made to the prior year figures to reflect an accurate position of the membership of the Scheme as at 1 January 2014 and largely arise due to late notifications.

Beneficiaries are those people receiving a benefit from the Scheme who are not themselves Scheme members i.e. those in receipt of a spouse's or dependant's pension.

Review of financial development of the Scheme

The financial statements have been prepared and audited in compliance with the regulations made under sections 41(1) and 41(6) of the Pensions Act 1995 (as updated by the Pensions Act 2004).

The net assets of the Scheme increased by £173.5 million over the year giving a Scheme value of £2,332.6 million at 31 December 2014 (2013: £2,159.1 million).

Risk

Any pension scheme is exposed to various risks. The Trustee Directors have undertaken to consider and regularly review the following key risks and associated controls, which are maintained in a risk register:

- The risk of deterioration in the ability of the Scheme's sponsor (Royal London Group) to provide continuing financial support to the Scheme. This risk is controlled through regular monitoring of Royal London Group's financial position, including rating agency reports.

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Trustee's report (continued)

- The risk of a deterioration in the Scheme's funding level. This risk is controlled through an investment and contribution strategy, which is specific to the Scheme's liabilities and funding level, and the provision of a contingent asset should the funding level fall below a set level.
- The risk that the investment returns from the assets will be below that expected by the Trustee Directors. This risk of underperformance is controlled by close monitoring of the investment performance.
- Risks surrounding the security and safe custody of Scheme assets. This is controlled by ring-fencing the assets, ensuring there is clear asset distinction by the custodian, and by reviewing the custodian's internal controls.
- The risk of the Scheme being incorrectly operated or operated outside of regulatory parameters. This risk is controlled by appointing experienced Trustee Directors and the use of Independent Trustee and Third party advisors where appropriate.

Actuarial position

The full triennial actuarial valuation of the Scheme, as at 31 December 2013, was signed by the Scheme Actuary on 5 June 2014. The results, measured on an ongoing basis, indicated that the Scheme's assets were 103% (2010: 106%) of the amount needed to cover the liabilities accrued to the valuation date, which equated to a surplus of £60.0 million (2010: 111.0 million). This excludes any allowance for advance funding of non-guaranteed discretionary pension increases.

The previous full triennial actuarial valuation of the Scheme was carried out as at 31 December 2010. The actuarial valuation report was signed by the Scheme Actuary on 13 June 2011. The results of the valuation are included in the paragraph above.

The Scheme actuary's certification of the Scheme's technical provisions and the latest schedule of contributions agreed following the 2013 valuation are on pages 16 to 18.

The most recent results of an interim actuarial valuation as at 31 December 2014 showed that the Scheme's assets were 98% of the amount required to cover the liabilities accrued to that date, which equated to a deficit of £58.8 million. The deterioration in the funding level of the Scheme between 31 December 2013 and 31 December 2014 was mainly due to an increase in the value placed on the Scheme's liabilities as a result of reduced expectations of future investment returns, caused in particular by low yields on government bonds.

Myners' code of best practice

The Myners' report is a voluntary code of best practice for pension schemes covering principles required for effective governance. The Scheme was found to be substantially compliant when it was reviewed against the Myners' report and the Trustee has continued to monitor compliance to ensure that these high standards are maintained.

Myners' principles and Scheme compliance

• Effective decision-making

Training for each of the Trustee Directors is arranged as required. Day to day investment management is carried out by the investment managers, Royal London Asset Management Limited ("RLAM") and Royal London Cash Management Limited ("RLCM"), with the Scheme's investment adviser Lane Clark & Peacock LLP providing support to the Trustee as necessary.

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Trustee's report (continued)

- **Clear objectives**

The investment objective has been set by reference to the Scheme's liabilities. Risk of underperformance was considered as part of the process.

- **Responsible ownership**

Having reviewed RLAM's policy, the Trustee delegates responsibility for the exercise of voting rights to RLAM. Any specific areas of concern are raised with RLAM. In 2011, the Trustee reviewed RLAM's policy on responsible ownership and satisfied itself on its approach.

- **Risk and liabilities**

The Trustee has developed appropriate investment benchmarks for its investment strategies in conjunction with its investment managers and consultants.

- **Performance assessment**

RLAM and RLCM's performance is subject to regular review.

- **Transparency and reporting**

A Statement of Investment Principles (SIP) is maintained and reviewed regularly and is available to members on request. The Trustee reports to members on the performance of the Scheme's investments in its annual summary reports.

Continuation of the Scheme

Although it has not expressed any intention to do so, the Company has the right under the Scheme Rules to discontinue its contributions at any time and to terminate the Scheme subject to the provisions set forth in the Trust Deed and Scheme Rules and the Pensions Act 1995 (as updated by the Pensions Act 2004). Whether all Scheme members receive, or continue to receive, their benefits should the Scheme terminate at some future time will depend on the sufficiency, at that time, of the Scheme's net assets to provide for the accumulated benefit obligations and may also depend on the financial condition of the Company. In the event of discontinuance the current priority order for the payment of benefits from the Scheme, after deducting defined contribution AVC funds, expenses and debts to third parties, would be:

- Annuities secured before 6 April 1997
- PPF benefits
- AVCs (other than those included above)
- Other benefits

The liabilities would be assessed based on the negotiated cost of securing the benefits with an insurance company. The priority order may be revised if there are any changes in statute. Scheme members are protected by legislation which prevents solvent employers from failing to meet their pension obligations in the event of the discontinuance of the Scheme. The introduction of the PPF to provide support for the pension schemes of insolvent employers adds a further element of protection.

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Trustee's report (continued)

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	Member 2014 £000	Employer 2014 £000	Member 2013 £000	Employer 2013 £000
Contributions required by the Schedule of Contributions				
Normal contributions	85	6,222	146	6,040
Salary sacrifice contributions made by the employer on behalf of the members	-	1,597	-	1,775
	<u>85</u>	<u>7,819</u>	<u>146</u>	<u>7,815</u>
Other contributions payable				
Augmentation	-	-	-	6,100
Additional Voluntary Contributions (AVC)	53	-	78	-
	<u>138</u>	<u>7,819</u>	<u>224</u>	<u>13,915</u>

The Company agreed changes to benefits accruing post 1 April 2011 with its current employees. The Trustee and the Company agreed revised employer contributions to reflect these changes as part of the 31 December 2010 actuarial valuation process. Details of contribution rates are included in the Schedule of Contributions on page 17.

Further information


Further details of investment performance are included in the investment report. Further disclosures required by legislation are included in the compliance statement.

Signed for and on behalf of RLGPS Trustee Limited by:



Trustee Director

15 June 2015



Trustee Director

Royal London Group Pension Scheme

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Investment report

This investment report forms part of the Trustee's report.

Investment managers

Ultimate responsibility for deciding investment policy lies with the Trustee. The Trustee has appointed RLAM and RLCM to manage the Scheme's investments on a day-to-day basis. The RLCM investment management agreement with the Trustee was novated to RLAM on 1 October 2014 following the transfer of RLCM business to RLAM. RLAM have full discretion to invest world-wide subject to the restrictions and investment policies laid down by the Trustee.

RLAM are appropriately authorised under the Financial Services and Markets Act 2000.

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 decided that investment rights should be exercised by 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 ethical issues into account.

Investment principles

The Trustee maintains a Statement of Investment Principles ("SIP") as required by section 35 of the Pensions Act 1995 (as updated by the Pensions Act 2004). A copy of the statement is available on request from the contact address set out in the final section of this annual report and financial statements: Further information.

The table on page 13 represents the allocation of assets held by the investment managers as at 31 December 2014. The table does not include AVC investments and other investment receivables which are included in the table on page 14. Asset allocations are monitored against the SIP at bid price with assets held in pooled investment vehicles monitored on a look through basis. The underlying cash element within the pooled investment vehicles is reallocated to cash in line with the SIP.

The permitted benchmark ranges in the table on page 13 are those in force at 31 December 2014. Actual asset allocation is allowed to drift against the strategic asset allocation during a quarter within the underlying indices permitted range and is rebalanced quarterly to the strategic allocation for purposes of performance measurement. The drifted benchmarks were rebalanced to the strategic benchmarks on 2 January 2015.

In exceptional market conditions, such as those experienced in 2008 and 2009, the Trustee may suspend or amend the way in which the portfolio is rebalanced.

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Investment report (continued)

Asset class	Actual holding %	Long-term target allocation %	Range permitted by benchmark %
UK equities	11.7	11.0	8 - 14
Overseas equities:	17.6	16.0	13 - 19
<i>North America</i>	6.5	5.8	2.8 – 8.8
<i>Europe</i>	5.0	5.7	2.7 – 8.7
<i>Japan</i>	3.1	2.3	1.3 – 3.3
<i>Pacific Basin</i>	3.0	2.2	1.2 – 3.2
Fixed interest gilts	-	-	0 - 6
Sterling non-government bonds	28.5	31.0	23 - 39
Global high yield bonds	4.9	5.0	2 - 8
Overseas bonds	0.6	-	0 - 3
Index-linked gilts	27.6	28.0	22 - 38
Property	6.8	8.0	4 - 10
Cash	2.3	1.0	0 - 5
	100.0	100.0	
Overall restriction			
Equities and alternatives	36.1	35.0	30 - 40
Bonds and cash	63.9	65.0	60 - 70
	100.0	100.0	

Employer related investments

Details of employer related transactions and investments are given in note 14 to the financial statements.

Custodial arrangements

The Scheme's direct investment assets are held in the names of the nominees by the Scheme's investment custodian, HSBC Bank plc. The custodian operates a system of internal controls to ensure the security of the Scheme's assets. The custody of assets in pooled investment vehicles is the responsibility of the manager of those arrangements.

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Investment report (continued)

Review of investment performance

Details of the Scheme's investments are given in note 11 to the financial statements. An analysis of the Scheme's investments including members' AVCs at 31 December 2014 is provided below, with pooled investment vehicles having been reallocated to their underlying asset class. The cash element within the pooled investment vehicles is allocated to the relevant asset class.

	2014	2013
	%	%
Fixed interest securities		
Fixed interest gilts	-	-
Sterling non-government bonds	28.0	27.6
Global high yield bonds	4.8	4.7
Overseas bonds	0.5	0.5
	<u>33.3</u>	<u>32.8</u>
Equities		
UK quoted	11.7	17.5
Overseas quoted	17.6	17.2
	<u>29.3</u>	<u>34.7</u>
Index-linked securities		
UK quoted	27.6	26.0
	<u>27.6</u>	<u>26.0</u>
Property	7.4	3.2
Cash deposits	1.7	2.2
Other investments	0.5	0.9
AVC investments	0.2	0.2
	<u>9.8</u>	<u>6.5</u>
Total	<u>100.0</u>	<u>100.0</u>

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Investment report (continued)

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.

The Trustee considers that, with the exception of senior secured loans and private placement debt, all the Scheme's investments are readily marketable. The liquidity of senior secured loans and private placement debt is lower than average. If there was a material disposal of units in the Royal London Property Fund the Fund's Prospectus does provide for deferred redemption (on a normal basis, redemption requests must be received three months in advance, but this may be deferred for one further month) as the underlying assets would have to be sold in the marketplace.

The table below shows the performance of the Scheme over various periods relative to the appropriate benchmarks.

Percentage returns	Year ended	3 Years ended
	31 December 2014	31 December 2014
	% pa	% pa
Royal London Group Pension Scheme	12.4	10.5
<i>Benchmark</i>	13.0	9.8

RLAM calculated the performance measurement of the RLGPS and the benchmark during the year and the RLGPS fund return was 0.6% below (2013: 1.5% above) the benchmark return.

The following benchmarks have been in place since 12 February 2014.

Sector	Comparison Benchmark
UK Index-Linked Gilts (active)	80% FTSE ILG Over 5 Years / 20% FTSE ILG All Stocks
UK Fixed Interest Gilts (active)	FTSE Over 15 Year Gilts
Sterling Investment Grade Corporate Bonds (active)	50% iBoxx Sterling Non-Gilt All Stocks / 50% iBoxx Sterling Non-Gilt Over 15 years
Global High Yield Bonds	BoA ML Global Non Financial HY Constrained (£Hedged)
UK Equities (passive)	FTSE 100
UK Equities (active)	FTSE A All Share excluding FTSE 100
North American Equities (passive)	FTSE-W USA
European Equities (active)	FTSE-W Europe ex UK
Japanese Equities (passive)	FTSE-W Japan
Pacific Basin Ex Japan Equities (passive)	FTSE-W Asia Pacific ex Japan
UK Property (active)	IPD/HSBC Balanced PUT
Overseas Bonds (active)	No benchmark
UK Cash Balances (active)	LIBID 7 Day

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Actuarial certificates and Schedule of contributions

Certification of the calculation of technical provisions

Actuarial certification for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme **Royal London Group Pension Scheme**

Effective date of valuation **31 December 2013**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 5 June 2014.

Jonathan Howes
Scheme actuary
Fellow of the Institute and Faculty of Actuaries

5 June 2014

Towers Watson Limited
1 Wellington Place
Wellington Street
Leeds
LS1 4AP

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Actuarial certificates and Schedule of contributions (continued)

Schedule of Contributions

Name of scheme: **Royal London Group Pension Scheme**

Period of schedule: **The five year period beginning with the date on which the schedule is certified by the actuary**

The rates of contributions payable to the Scheme during the period of this schedule are as follows:

Employer contributions

- i) The employer will pay contributions for each member of the Royal London Pension Contribution Arrangement who has opted to sacrifice a portion of salary in place of that member's contribution, at the appropriate level specified under 'Employee contributions' below.
- ii) The employer will pay contributions in respect of the current active Scheme membership at the level of 22.9% of Pensionable Earnings restricted to the FPE Cap, or such higher amount as may, from time to time, be agreed between the Trustee and the Company, less contributions specified under 'Employee contributions' below.

This includes an allowance of 0.75% for expenses and 0.3% for lump sum death in service benefits.

- iii) The employer will pay 0.2% of basic pay capped at 25% of the Lifetime Allowance for members of the Life Cover Members Section.

Employee contributions

Each employee will pay contributions at a level dependent on their accrual rate and whether they are an executive or non-executive member of the Scheme.

Members shall pay the following contributions, expressed as a percentage of Contribution Pay, to the Scheme:

Accrual Rate	Executive Member contributions	Non-Executive Member contributions
	%	%
1/45 th	7.50	11.50
1/60 th	N/A	7.50
1/70 th	N/A	3.75
1/80 th	Nil	Nil

In addition, members may have the opportunity to pay Additional Voluntary Contributions (AVCs) to earn additional pension benefits.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Actuarial certificates and Schedule of contributions (continued)

Schedule of Contributions (continued)

The employee contributions detailed above will be paid by the employer on the employee's behalf for those employees who have opted under the Royal London Pension Contribution Arrangement to sacrifice a portion of salary in place of that member's contribution.

All contributions (from both members and employer) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate. The amount and timing of monthly contributions may be varied by the Company, if required to aid payroll processes, provided that the overall level of contributions paid to the Scheme in respect of each year ending 31 March is in accordance with this schedule.

Dated: 5 June 2014

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 London Group Pension Scheme

Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to continue to be met for the period for which the schedule is to be in force.

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 5 June 2014.

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 of Actuaries

05 June 2014

Towers Watson Limited
1 Wellington Place
Wellington Street
Leeds
LS1 4AP

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Independent Auditors' report to the Trustee of the Royal London Group Pension Scheme

Report on the financial statements

Our opinion

In our opinion, Royal London Group Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2014, 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; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

What we have audited

Royal London Group Pension Scheme's financial statements comprise:

- the net assets statement as at 31 December 2014;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Independent Auditors' report to the Trustee of the Royal London Group Pension Scheme

Report on the financial statements (continued)

What an audit of financial statements involves

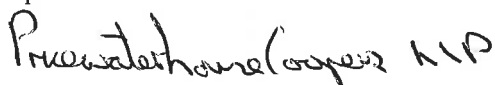
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

15 June 2015

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Independent Auditors' Statement about Contributions to the Trustee of the Royal London Group Pension Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedule of contributions for the scheme year ended 31 December 2014 as reported in the Royal London Group Pension Scheme's summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Scheme actuary on 5 August 2011 and 5 June 2014.

What we have examined

The Royal London Group Pension Scheme's summary of contributions for the scheme year ended 31 December 2014 is set out on page 11.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

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 the employer in accordance with relevant requirements.

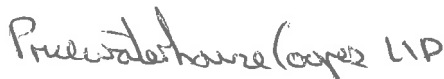
It is our responsibility to provide a statement about contributions and to report our opinion to you.

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.

What an examination of the summary of contributions involves

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 or, in the absence of such a schedule, the scheme rules and recommendations of the actuary, and the timing of those payments.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

15 June 2015

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which :

- 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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 adequate accounting records are kept and for taking such steps as are reasonably open to them 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 towards the Scheme by or on behalf of the employer 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.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Fund account

	<i>Notes</i>	2014	2013
		£'000	£'000
Contributions and other income			
Contributions	3	7,957	14,139
Other income	4	32	70
		<u>7,989</u>	<u>14,209</u>
Benefits and other payments			
Benefits	5	78,474	76,155
Payments to and on account of leavers	6	6,054	4,352
Administrative expenses	7	3,034	2,590
		<u>87,562</u>	<u>83,097</u>
Net withdrawals from dealings with members		<u>79,573</u>	<u>68,888</u>
Returns on investments			
Investment income	8	65,939	70,332
Change in market value of investments	11	188,957	114,063
Investment management expenses	9	(2,343)	(2,448)
Investment management fee rebates	10	843	713
Net (irrecoverable)/recoverable tax		(354)	62
		<u>253,042</u>	<u>182,722</u>
Net increase in the Scheme		<u>173,469</u>	<u>113,834</u>
Opening net assets of the Scheme		<u>2,159,147</u>	<u>2,045,313</u>
Closing net assets of the Scheme		<u>2,332,616</u>	<u>2,159,147</u>

The notes to the financial statements on pages 25-38 form part of these financial statements.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

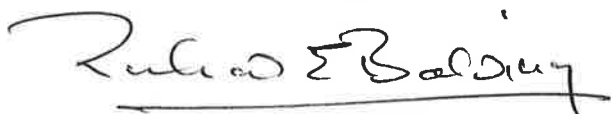
Net assets statement

	<i>Notes</i>	2014 £'000	2013 £'000
Investment assets		2,351,331	2,159,196
Investment liabilities		(21,361)	(1)
Net investment assets	<i>11</i>	2,329,970	2,159,195
Current assets	<i>12</i>	4,530	2,098
Current liabilities	<i>13</i>	(1,884)	(2,146)
Net assets of the Scheme		2,332,616	2,159,147

The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Scheme year are not dealt with in the financial statements. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Trustee's report on page 9 and in the Actuarial certification of the calculation of technical provisions on page 16 of the Annual report and these financial statements should be read in conjunction with them.

The notes to the financial statements on pages 25-38 form part of these financial statements.

Signed for and on behalf of RLGPS Trustee Limited by:



Trustee Director



Trustee Director

15 June 2015

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007).

2. Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements:

Investment valuation

Securities traded through the London Stock Exchange Trading Service (SETS) are valued based on the latest available SETS trading price. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Unquoted securities are valued by the investment manager at the year-end. Units in pooled investment vehicles are included at the closing bid price as advised by the investment manager.

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

Investment income

Income from equities is accounted for when stock is quoted ex-dividend. Interest on cash deposits and fixed interest securities is accounted for by reference to the period to which it relates. Investment income includes any reclaimable tax credits. Realised and unrealised capital gains and losses on investments are dealt with in the fund account in the year in which they arise.

Income generated by pooled investment vehicles, except income from those disclosed in note 8, is not distributed but is retained within pooled funds and is reflected in the market value of the units.

Contributions

Normal contributions are accounted for on an accruals basis at rates agreed by the Trustee as recommended by the actuary.

Other employer contributions such as deficit funding and augmentations are accounted for in accordance with the Schedule of Contributions or agreement under which they are being paid or, in the absence of an agreement, on a receipts basis.

Additional Voluntary Contributions (AVC) from the members are accounted for in the month deducted from payroll.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

2. Accounting policies (continued)

Transfers to other schemes

Transfer values represent the capital sums payable to the new pension schemes of members who have left the Scheme.

They take account of transfers where the trustee of the receiving scheme has agreed to accept the liabilities in respect of the transferring members before the year-end and where the amount of the transfer can be determined with reasonable certainty.

Benefits

Members can choose whether to take benefits as a pension, a pension and a lump sum and, in certain circumstances, a lump sum. Pensions and lump sums are accounted for on an accruals basis from the later of retirement date and the date the option is exercised.

Expenses

Administrative expenses and investment management expenses are accounted for by reference to the period to which they relate.

Foreign currency conversion

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Gains and losses arising on conversion are dealt with as part of realised and unrealised investment gains and losses.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

3. Contributions

	2014	2013
	£000	£000
Members		
Normal	85	146
Additional voluntary contributions	53	78
	<u>138</u>	<u>224</u>
Employer		
Salary sacrifice contributions made by the employer on behalf of the members	1,597	1,775
Normal	6,222	6,040
Augmentation	-	6,100
	<u>7,819</u>	<u>13,915</u>
	<u>7,957</u>	<u>14,139</u>

The employer made nil augmentation contribution in 2014 (2013: £6.1 million) to fund the capital cost for granting discretionary pension increases and other benefit augmentations as the Scheme had sufficient surplus assets to meet the augmentation cost.

4. Other income

	2014	2013
	£000	£000
VAT refund	30	63
Sundry income	2	7
	<u>32</u>	<u>70</u>

The Scheme occasionally receives refunds from HM Revenue & Customs for members as a consequence of the Scheme contracting out of the state pension scheme.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)**5. Benefits**

	2014	2013
	£000	£000
Pensions	70,752	68,336
Commutations and retirement lump sums	7,113	7,772
Lump sum death benefits	609	47
	<u>78,474</u>	<u>76,155</u>

6. Payments to and on account of leavers

	2014	2013
	£000	£000
Individual transfers to other schemes	6,052	4,346
Refunds to members leaving service	-	4
Payments for members reinstated in state scheme	2	2
	<u>6,054</u>	<u>4,352</u>

7. Administrative expenses

	2014	2013
	£000	£000
Administration fees	1,451	1,362
Actuarial fees	566	442
Levies paid to the Pensions Regulator	525	441
Trusteeship fees	94	73
Audit fees	52	45
Legal fees	346	214
Sundry expenses	-	13
	<u>3,034</u>	<u>2,590</u>

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

7 Administrative expenses (continued)

Trusteeship fees include fees paid directly to the Trustee Directors as disclosed in note 14 (Related party transactions and employer related investments) to the financial statements.

8. Investment income

	2014	2013
	£000	£000
Income from fixed interest securities	38,352	43,715
Income from index-linked securities	5,507	5,968
Dividends from equities	21,292	20,378
Income from pooled investment vehicles – property	729	239
Interest on cash deposits	59	32
	<u>65,939</u>	<u>70,332</u>

9. Investment management expenses

	2014	2013
	£000	£000
Administration and management	1,983	1,967
Custodian charges	182	189
Investment advisory	161	210
Consultancy on overseas tax claims	13	76
Bank charges	4	6
	<u>2,343</u>	<u>2,448</u>

10. Investment management fee rebates

	2014	2013
	£000	£000
Investment management fee rebates	843	713

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

10 Investment management fee rebates (continued)

The fee rebates represent amounts received by the Scheme as reimbursement of the management charges reflected in the unit prices of Royal London Group unitised funds.

11. Investments

		Value as at 1 January 2014	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value as at 31 December 2014
	Notes	£000	£000	£000	£000	£000
Fixed interest securities	11 (iii)	694,819	255,320	(247,650)	60,575	763,064
Index-linked securities	11 (iv)	560,952	3,105,396	(3,134,054)	109,933	642,227
Equities	11 (v)	642,961	111,858	(222,344)	9,612	542,087
Pooled investment vehicles	11 (vi)	208,771	119,638	-	10,440	338,849
Derivatives	11 (vii)	1,669	142	-	(568)	1,243
AVC investments	11 (x)	3,743	53	(355)	186	3,627
		<u>2,112,915</u>	<u>3,592,407</u>	<u>(3,604,403)</u>	<u>190,178</u>	<u>2,291,097</u>
Cash deposits	11 (viii)	26,237			(1,221)	47,557
Other investment balances	11 (ix)	20,043			-	(8,684)
		<u>2,159,195</u>			<u>188,957</u>	<u>2,329,970</u>

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 during the year.

At the year end the Scheme held units in the Property Authorised Investment Fund (PAIF), a pooled investment vehicle managed by Royal London Unit Trust Managers Limited, a subsidiary in the Royal London Group. The units included in note 11(vi) amounted to £185.2 million. As a single investment this is greater than 5% of the Scheme's net assets. No other single investment held at year end is greater than 5% of the Scheme's net assets.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

11. Investments (continued)

(i) Stock loan and collateral arrangements

The Scheme has undertaken stock loan transactions during the year, which transfer the legal title to an asset to a third party but not the right to the income and change in market value of the asset. The Scheme retains the risks and rewards of ownership of assets under stock loan arrangements. The market value of the assets as at 31 December 2014 amounted to £15.9 million (2013: £42.7 million) and is included in the table above.

The assets transferred under stock loan arrangements are secured by the receipt of collateral from the third party in the form of government bonds, corporate bonds and quoted equities, which may be re-pledged or sold if there is default. The market value of collateral held by the Scheme as at 31 December 2014 was £17.6 million (2013: £44.7 million) and is not included in the table above.

The Scheme undertook derivative transactions during the year which required stock collateral to be pledged to counter parties. The stock collateral pledged in respect of the derivatives is in the form of UK government index linked bonds with a market value, as at 31 December 2014, of £3.6 million (2013: £0.8 million) and is included in the investment assets.

(ii) Transaction costs

	2014	2013
	£000	£000
Purchases incremental costs	307	727
Sales incremental costs	116	240
	<u>423</u>	<u>967</u>

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. In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles.

(iii) Fixed interest securities

	2014	2013
	£000	£000
UK quoted corporate bonds	648,640	592,449
Overseas quoted corporate bonds	2,724	2,105
Global high yield bonds	111,700	100,265
	<u>763,064</u>	<u>694,819</u>

Royal London Group Pension Scheme
Annual report and financial statements
for the year ended 31 December 2014

Notes to the financial statements (continued)

11. Investments (continued)

(iv) Index-linked securities

	2014	2013
	£000	£000
UK quoted public sector bonds	585,402	547,687
Overseas quoted public sector bonds	55,656	5,512
UK quoted corporate bonds	1,169	7,753
	642,227	560,952

(v) Equities

	2014	2013
	£000	£000
UK quoted	273,030	378,260
Overseas quoted	269,057	264,701
	542,087	642,961

(vi) Pooled investment vehicles

	2014	2013
	£000	£000
Unit trust - Property	185,229	90,702
Unit trust – Japan equities	72,292	61,047
Unit trust – Far east equities	68,654	45,200
	326,175	196,949
Managed funds – European bonds	12,674	11,822
	338,849	208,771

All pooled investment vehicles are managed by companies registered in the United Kingdom.

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

11. Investments (continued)

(vii) Derivatives

The Trustee allows the investment managers the discretion to use derivatives for hedging purposes and to enhance the efficient management of the investment portfolios. Derivative instruments are either exchange traded (regulated by an exchange), which have a quoted market price, or over the counter (individually negotiated between the parties to the contract), which are unquoted. There are different types of derivatives and during the year the Scheme utilised forward foreign currency contracts and inflation rate swaps.

	2014	2013
	£000	£000
	Net	Net
Forward foreign currency contracts	440	1,630
Inflation rate swaps	803	39
	<u>1,243</u>	<u>1,669</u>

Forward foreign currency contracts

A forward foreign currency contract is an agreement to exchange an agreed amount of currency (contract or notional amount) at a specified exchange rate and on a specified date. The contract is used to reduce exposure to movements in exchange rates.

Forward foreign currency contracts	Currency bought	Currency Sold	Contract /notional amount	Assets	Liabilities	Net
Settlement date			£000	£000	£000	£000
2014						
20 March 2015	EUR	GBP	5,504	-	(71)	(71)
20 March 2015	GBP	USD	89,372	-	(308)	(308)
20 March 2015	GBP	EUR	65,331	840	-	840
20 March 2015	GBP	CAD	5,132	-	(36)	(36)
20 March 2015	USD	GBP	3,369	15	-	15
			<u>168,708</u>	<u>855</u>	<u>(415)</u>	<u>440</u>
2013						
20 March 2014	GBP	EUR	41,448	660	-	660
20 March 2014	GBP	USD	49,752	936	-	936
20 March 2014	GBP	CAD	3,113	34	-	34
			<u>94,313</u>	<u>1,630</u>	<u>-</u>	<u>1,630</u>

Royal London Group Pension Scheme

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

11. Investments (continued)

Derivatives (continued)

Inflation rate swaps

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

Expiration	Nature of Swap	No of contracts	Notional principal £000	Assets £000	Liabilities £000	Net £000
2014						
15 Oct 2015	Inflation rate swap	1	21,500	287	-	287
08 Jul 2016	Inflation rate swap	1	16,500	-	(48)	(48)
15 Oct 2016	Inflation rate swap	1	37,000	280	-	280
15 Oct 2017	Inflation rate swap	1	28,000	206	-	206
08 Apr 2018	Inflation rate swap	1	22,000	71	-	71
08 Jul 2018	Inflation rate swap	1	10,500	-	(22)	(22)
15 Dec 2022	Inflation rate swap	3	68,000	29	-	29
			203,500	873	(70)	803
2013						
15 Oct 2015	Inflation rate swap	1	43,000	22	-	22
15 Oct 2016	Inflation rate swap	1	37,000	-	(1)	(1)
15 Oct 2017	Inflation rate swap	1	28,000	18	-	18
			108,000	40	(1)	39

(viii) Cash deposits

	2014 £000	2013 £000
UK GBP Sterling	43,152	20,128
Foreign currency	4,405	6,109
	47,557	26,237

Royal London Group Pension Scheme

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Notes to the financial statements (continued)**11. Investments (continued)****(ix) Other investment balances**

	2014	2013
	£000	£000
Accrued interest	10,683	13,323
Income receivable	1,170	1,364
Trade settlements	(20,876)	5,168
Tax reclaims	339	188
	(8,684)	20,043

(x) 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 electing 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:

	2014	2013
	£000	£000
Clerical Medical Investment Group Limited	1,775	1,698
Scottish Life (a division of The Royal London Group)	854	1,031
Scottish Widows plc	618	644
The Equitable Life Assurance Society	380	370
	3,627	3,743

Royal London Group Pension Scheme

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Notes to the financial statements (continued)

12. Current assets

	2014	2013
	£000	£000
Cash balances	3,612	1,315
Prepayments	138	113
Contributions due	739	633
Other debtors	41	37
	<u>4,530</u>	<u>2,098</u>

The contributions due related to normal employer and employee contributions and were paid by the employer to the Scheme on 13 January 2015.

13. Current liabilities

	2014	2013
	£000	£000
Unpaid benefits	-	7
Amounts due to employer	381	420
Accrued expenses	528	751
Other creditors	975	968
	<u>1,884</u>	<u>2,146</u>

14. Related party transactions and employer related investments

Royal London Asset Management Limited (RLAM) and Royal London Cash Management Limited (RLCM) are subsidiary companies within the Royal London Group of companies. RLAM and RLCM manage the investments of the Scheme on an arm's length basis and are remunerated in accordance with the terms of a normal commercial contract. Investment management expenses totalling £2.0 million (2013: £2.0 million) are in respect of this remuneration for the year ended 31 December 2014, of which £0.5 million (2013: £0.5 million) was payable at the year end. The Scheme received investment management fee rebates of £0.7 million (2013: £0.7 million) from RLAM, of which £0.2 million (2013: £0.1 million) was receivable at the year end.

All investment income as disclosed in note 8 is generated by RLAM.

Royal London Group provides certain administration and accountancy services. During the year the Scheme was charged £0.2 million (2013: £0.2 million) in respect of these services, of which £0.1 million was payable (2013: £0.03 million) at the year end.

Royal London Group Pension Scheme

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Notes to the financial statements (continued)

14. Related party transactions and employer related investments (continued)

As disclosed in note 7 (Administrative expenses) to the financial statements, the Trustee Directors below were paid directors fees related to the respective years as indicated. In addition, the Trustee Directors claimed travel expenses for attendance at Trustee meetings.

	2014	2013
	£000	£000
Richard Balding	24	24
John Tovey	10	10
	—	—
	34	34
	==	==

The Law Debenture Pension Trust Corporation plc charged the Scheme a total of £45,176 (2013: £33,000) in respect of Trustee services provided during the year.

During the year two Trustee Directors were in receipt of a pension and two Trustee Directors paid contributions as active members of the Scheme. In addition two Trustee Directors are life assurance cover only members.

Scottish Life is a division of the Royal London Group. As at 31 December 2014, Scottish Life held AVC funds in the member's names with a market value of £0.8 million (2013: £1.0 million).

The Scheme holds units in the following funds managed by subsidiaries of Royal London Group as shown:

Fund	Managed by:	Market value		Market value	
		2014		2013	
		£'000	%	£'000	%
RLPPC Global bond Fund	Royal London Pooled Pension Company	12,674	0.5	11,822	0.5
Royal London Japan Tracker Fund	Royal London Unit Trust Managers Limited	72,292	3.1	61,047	2.8
Royal London Asia Pacific ex Japan Tracker Z Accumulation Fund	Royal London Unit Trust Managers Limited	68,654	2.9	45,200	2.1
Property Authorised Investment Fund	Royal London Unit Trust Managers Limited	185,229	7.9	90,702	4.2
		338,849		208,771	

Royal London Group Pension Scheme

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Notes to the financial statements (continued)

14. Related party transactions and employer related investments (continued)

All of the above transactions were made in accordance with the Scheme Rules.

15. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Scheme has contingent liabilities or contractual commitments in the form of stock collateral arrangements which are disclosed in note 11(i) in addition to the liability to pay future benefits to Scheme members and their dependants as at 31 December 2014 (31 December 2013 £nil).

Royal London Group Pension Scheme

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Compliance statement

The purpose of this compliance statement is to disclose some additional information required by law.

Tax and contracting-out status

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 with effect from 5 April 2006.

Former RASF members

Members of the Scheme were not contracted-out of the State Second Pension Scheme (or earlier similar schemes) until 29 October 2001, when a contracting-out certificate was obtained.

Former UFGPS members:

The majority of the members of the Scheme were contracted-out of the State Second Pension Scheme (or earlier similar schemes).

Former RLSPF members:

Members were contracted-out of the State Second Pension Scheme (or earlier similar schemes).

Former SLORBS members:

Members were contracted-out of the State Second Pension Scheme (or earlier similar schemes).

Scheme advisors

There are written agreements in place between either the previous Trustee or the Trustee and each of the Scheme advisers listed on page 1 of this report.

Royal London Group Pension Scheme

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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 (TPAS, formerly known as OPAS) of 11 Belgrave Road, London, SW1V 1RB is able to assist members and beneficiaries with difficulties which may arise;
- the Pensions Ombudsman of 11 Belgrave Road, London, SW1V 1RB 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 an occupational pension scheme.

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.

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 London Group Pension Scheme at the following addresses.

Queries from deferred and pensioner members about their benefit entitlements:

c/o Towers Watson Limited
1 Wellington Place
Wellington Street
Leeds
LS1 4AP

Email: royallondongroup@towerswatson.com

Phone: 0113 234 3222

Queries from active members about their benefit entitlements:

c/o Staff Pensions Team
Royal London House
Alderley Road
Wilmslow
SK9 1PF

Email: staff.pensions@royallondon.com

Phone: 01625 605 106

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

Royal London Company Secretary
Royal London Group
55 Gracechurch Street
London
EC3V 0RL

Email: cosec@royallondon.com

Phone: 0207 506 6500