

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2014

Scheme Registration Number: PB 153418

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

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Trustee and advisers

Principal Employer	Royal Liver Trustee Services Ireland Limited
Corporate Trustee	R. L. Pensions Trustees (ROI) Limited
Trustee Directors	J Feely (Chairman) M Carroll (Member nominated director) J Potter (Member nominated director) S Blackie (Employer nominated director) H McKee (Employer nominated director - retired 28 February 2014) J Glen (Employer nominated director – appointed 26 March 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	D Hunter of Towers Watson (Ireland) Limited
Administrators	The Royal London Mutual Insurance Society Limited
Independent auditors	PricewaterhouseCoopers LLP
Legal advisers	Matheson DLA Piper A B Wolfe
Investment consultant	Mercer Limited
Property surveyor	CB Richard Ellis Limited
Investment managers	Royal London Asset Management Limited Royal London Cash Management Limited (novated to Royal London Asset Management 1 October 2014) Legal & General Assurance (Pensions Management) Limited Standard Life Investments Limited BlackRock Alternative Advisors The Royal London Mutual Insurance Society Limited
Investment custodian	HSBC bank plc
Additional Voluntary Contribution (AVC) provider	Zurich Life Assurance plc
Bankers	Allied Irish Bank

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Chairman's Statement

I am pleased to present the Annual report and financial statements of the Royal Liver Assurance Limited Superannuation Fund (ROI) ("the Scheme") for the year ended 31 December 2014. The Scheme is a distinct legal entity managed by the Trustee (R.L. Pensions Trustees (ROI) Limited).

Financial position

The Scheme's funding level remained strong during 2014, despite the market volatility experienced, and in particular the fall in bond yields at the end of 2014. An estimate of the Scheme's funding level as at 31 December 2014 (rolled forward from the formal valuation as at December 2012) shows that the Scheme continued to meet the statutory Minimum Funding Standard and the Minimum Funding Standard Reserve. At year-end the Scheme held assets of €269.3 million (excluding AVCs) and was 109% funded on an ongoing funding basis (an improvement from the 2012 valuation) and 126% on the Minimum Funding Standard basis.

The Scheme is supported by guarantees provided by The Royal London Mutual Insurance Society Limited (Royal London Group) the parent company of the Principal Employer and the Trustee during 2014 assessed that the covenant which Royal London Group provides remains strong. During 2014 Royal London Group continued to show a strong operating profit and particularly strong new business figures. Its Standard & Poor's credit rating remained at 'A (Stable)' throughout the year, reflecting, in particular, the weighting given to Royal London Group's financial strength. In Ireland, Royal London's Caledonian Life business rebranded to 'Royal London' in December 2014 as part of the Group's move to rebrand all its businesses under the single 'Royal London' brand.

At the end of the year, the transfer of the life business of Royal London (CIS) Limited into The Royal London Mutual Insurance Society Limited 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 Royal London Group. This has no direct financial impact on the Scheme but is expected to improve the strength of Royal London Group's covenant.

Whilst the Scheme ultimately looks to Royal London Group, the legal terms of the Royal Liver Assurance Limited transfer to Royal London Group in 2011 were that we should continue to rely on the ongoing strength and performance of the Royal Liver Sub-Fund, a closed With Profits fund that exists within Royal London Group. We also understand that the Royal Liver Sub Fund has experienced some improvements in its financial strength since July 2011. This of itself should be reassuring to our beneficiaries.

Investment developments

We have continued to work closely with the Scheme Actuary, investment advisers and investment managers to ensure that the Scheme's investment strategy remains appropriate to the profile of the Scheme. We spent considerable time reviewing the long-term plan for the Scheme's investment and funding strategy, and how this should be managed over time, in light of the new Minimum Funding Standard regulations. This review prompted consideration of a number of risk management and cost efficiency projects which were started in the latter part of 2014, and will continue throughout 2015.

We have been working to ensure that we will be compliant with the European Market Infrastructure Regulations as they come into force. These Regulations are intended to support the effective management of the derivatives marketplace.

The Trustee Directors have also continued discussions with our investment advisers and investment managers with regard to the appropriate treatment of the Scheme's property portfolio with a view to ensuring that as the Scheme matures, (i.e. as more and more of our beneficiaries become Pensioner members rather than Deferred members) we have an appropriate mix of both liquid and illiquid assets.

The bulk of the Scheme's assets are invested in high quality sovereign and corporate bonds managed by Royal London Asset Management Limited. The Scheme's investment performance for the year equalled the benchmark at 24.2%.

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Chairman's Statement (continued)

Pension increases

In 2014 pension increases in respect of accrual from 6 April 1997 to 1 January 2004 were awarded at a rate of 2.7%, as required by the Rules of the Scheme. In line with the decision taken by the Royal Liver Board (April, 2009) to no longer pre-fund for discretionary increases, no discretionary increases were awarded over and above that rate, nor for periods of service before or after this period of guaranteed increases. Scheme members will be aware that discretionary increases are granted at the joint discretion of the Trustee and Principal Employer. Under the Scheme Rules the Trustee will request or recommend discretionary increase to the Principal Employer to decide. Further details on the pension increases are given on page 7 of this report.

The Trustee Directors continue to discuss with the Principal Employer the circumstances in which it may be possible to agree the payment of discretionary increases. However, whilst a number of risks continue to exist in the Scheme, the Trustee remains focussed on ensuring that the guaranteed benefits continue to be paid in full – an aim which is supported by the Scheme's strong funding level and Principal Employer covenant strength at the end of 2014.

Administration

During 2014, the Trustee's administrators reviewed the software they use to administer the Scheme and will be upgrading this in 2015. This will provide additional functionality and reporting for the Trustee Directors and help deliver efficiencies and cost-savings for the future, which will be of benefit to the Scheme. The Pensions Authority's requirements for registered administrators were also incorporated into the administrator's annual calendar in 2014 and are reported in regular reports to the Trustee Directors.

Governance

The Trustee Directors have continued to invest a significant amount of time in ensuring that we have effective Scheme Governance and risk management controls.

A review of the training undertaken by the Trustee Directors confirmed that an appropriate level of training had been undertaken and that the requirements set by the Pensions Authority (previously the Pensions Board) had been met.

We also reviewed our process for dealing with complaints, and have included our updated procedure as an appendix to these Accounts.

Trustee Directors and Advisers

As I reported last year, Hugh McKee stepped down from the Board on 28 February 2014 and the Principle Employer appointed the Managing Director of Caledonian Life, Jon Glen, as his replacement with effect from 26 March 2014. 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 thank Hugh and Janet, on behalf of the other Trustee Directors and the members, 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 to our process of reviewing each of our advisers and providers on a rolling basis.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Chairman's Statement (continued)

The Year Ahead

The Trustee will continue to work with its advisers to ensure that we are developing and maintaining robust governance and investment structures for the Scheme and that the latter in particular properly reflects the changing profile of the Scheme as more members reach retirement. Consideration of the implications of regulatory and legislative changes, and those which affect the Employer covenant (for instance Solvency II) will also be a key focus for us.

Conclusion

I would commend this Annual report and financial statements to all who have an interest in the affairs of the Scheme.



John Feely

Chairman of R. L. Pensions Trustees (ROI) Limited

9 June 2015

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Trustee's report

Introduction

The Trustee Directors of the Royal Liver Assurance Limited Superannuation Fund (ROI) ('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, which is a defined benefit scheme for the purposes of the Pensions Act 1990, was established to provide retirement and life assurance benefits for its members and is a distinct legal entity, separate in every respect from the Principal Employer, Royal Liver Pension Trustee Services Ireland Limited. Membership was open to eligible employees of The Royal Liver Pension Trustees Services Ireland Limited and, previously, Royal Liver Assurance Limited. On 1 July 2011 the Scheme was closed to new members and to future benefits accrual for existing members. All active members as at 30 June 2011 became deferred.

The Scheme is governed by the Trust Deed and Rules; members are entitled to inspect these documents or, on payment of a small charge, receive a copy of them. Details of members' benefits are also provided in the explanatory booklet which has been distributed to all members and individual details appear on each member's benefit statement. There have been no changes during the year to the Scheme information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006.

The Scheme has been approved by the Revenue Commissioners as an "exempt approved scheme" under Section 774 of the Taxes Consolidation Act 1997 and as such its assets are generally allowed to accumulate free of income and capital gains taxes with the exception of an annual levy introduced in The Finance (No. 2) Act 2011 which was signed into law on 22 June 2011 and introduces a four-year annual levy of 0.6% on private pension funds. Under the Finance (No.2) Act 2013 the levy rate was amended to 0.75% for assets under management in 2014 and 0.15% for assets under management in 2015. In addition, tax relief is given on employer and member contributions to the Scheme and certain lump sum payments to members can be paid free of tax. The Scheme is registered with The Pensions Authority and its registration number is PB153418.

The Scheme is financed by contributions from the employer and members. Details of contributions and other financial developments during the year are set out herein.

Trustee

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

The Scheme is overseen by the Trustee Directors who are required to act in accordance with the Trust Deed and Rules and the Memorandum and Articles of Association of the Trustee company, within the framework of pension and trust law. The Trustee Directors of the Scheme are detailed on page 1. Unless otherwise indicated the Trustee (and its Directors) served for the entire period and are still serving to the date of approval of the annual report.

The Trustee Directors are appointed and removed in accordance with the Trust Deed. The Member Nominated Trustee Director arrangements are determined by the Trustee.

The right of members to select, or approve the selection of, Trustee Directors is set out in the Occupational Pension Schemes (Member Participation in the selection of Persons for Appointment as Trustees) (No. 3) Regulations, 1996.

There were four meetings of the Trustee Directors 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)

The Trustee and the Scheme Administrator have access at all times to the Trustee's Handbook produced by The Pensions Authority and the Guidance Notes issued by The Pensions Authority from time to time, in accordance with Section 10 of the Act.

Trustee Directors received training as required by Section 59AA of the Pensions Act 1990, which requires Trustee Directors of pension schemes to undergo training during the scheme year by virtue of the Social Welfare and Pensions Act 2008 (Section 28) (Commencement) Order 2009. Trustee training has taken place at scheduled meetings of the Trustee Board during the year. Trustee Directors have access to appropriate training on their duties and responsibilities as Trustee Directors. There were no expenses incurred by the Scheme relating to the Trustee Directors' training.

The day-to-day administration of the Scheme is carried out by The Royal London Mutual Insurance Society Limited.

As required by Article 5 of the Pensions Ombudsman Regulations 2003, the Scheme has an internal procedure for resolving any disputes which may arise. Any complaints should in the first instance be made in writing to the Staff Pensions Team at the address provided in the 'Further information' on page 41. If the complaint is not resolved to the member's satisfaction, they have a statutory right to raise the issue through the Internal Dispute Resolution Procedure, by submitting a formal application in writing to The Company Secretary at the contact address provided in the 'Further information' on page 41.

Review of financial development of the Scheme

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes (Revised May 2007).

The financial statements are set out on pages 22 to 37.

The value of the Scheme's net assets increased from €227.6 million at the start of the year to €270.5 million at the year end. This increase was accounted for in part by €54.1 million net returns on the Scheme's investments and by net withdrawals from dealings with members, expenses and the pension levy which totalled €11.2 million.

Benefits and payments to leavers amounted to €9.2 million (2013: €9.1 million), the pension levy amounted to €1.7 million (2013: €1.3 million) and administration costs and professional fees amounted to €0.5 million (2013: €0.4 million).

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Trustee's report (continued)

Summary of contributions payable in the year

There were no contributions payable to the Scheme during the year as the Scheme is closed to future benefits accrual.

Contributions

Contributions for the year amounted to £nil. Contributions were paid in accordance with the rules of the Scheme and the recommendations of the Actuary and were received in full within 30 days of the year end.

The Trustee is satisfied that appropriate procedures have been put in place to ensure that contributions payable are received in accordance with the legislative requirements as set out under Section 58A of the Pensions Act 1990. This legislation sets out the following requirements:

- Member contributions must be received within 21 days from the end of the month in which they were deducted from pay.
- Employer contributions must be received in accordance with the timings noted by the Actuary or stated in the trust deed and rules or otherwise within 30 days of the end of the Scheme year.

The above details have been extracted from the accounts of the Scheme which form part of this report.

Pension increases

Pensions in payment were increased on 1 April 2014 as follows:

- 0.0% increase to pensions in payment accrued before 6 April 1997; any increase for this tranche of pensions is at the discretion of the Trustee and is subject to the agreement of the Principal Employer.
- 2.7% pension increase to pensions in payment accrued between 6 April 1997 and 1 January 2004; the increase was in line with the UK Consumer Prices Index (CPI) and is subject to a maximum of 5.0%.
- 0.0% pension increase to pensions in payment accrued after 1 January 2004; the increase is at the discretion of the Trustee and is subject to the agreement of the Principal Employer.

The Transfer Agreement linked increases on pensions accrued between 6 April 1997 and 1 January 2004 to the UK Prices Index used for UK statutory pension increases. As such increases for pensions accrued between 6 April 1997 and 1 January 2004 are based on the UK CPI.

Pensions in deferment were revalued on 1 January 2014 in accordance with Section 33 of the Pensions Act 1990, as amended; at a rate equal to the increase in the Consumer Prices Index (CPI) or 4% per annum whichever is the lower. The rate announced in the statutory instrument S.I. No.71 of 2014 under the Occupation Pension Schemes (Revaluation) Regulations 2014 is 0.5% per annum.

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Trustee's report (continued)

Membership

Details of membership of the Scheme are given below:

	Deferred members	Pensioner members	Beneficiaries	Total
At 1 January 2014	611	563	168	1,342
Adjustments to prior year figures	(1)	1	3	3
At 1 January 2014 revised	610	564	171	1,345
Transfers out	(2)	-	-	(2)
Retirements	(31)	31	-	-
Deaths	(1)	(12)	(4)	(17)
New beneficiaries	-	-	8	8
At 31 December 2014	576	583	175	1,334

Following the closure of the Scheme to future benefits accrual on 1 July 2011, all active members as at 30 June 2011 became deferred.

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.

Actuarial position

Ongoing funding position:

A full actuarial valuation of the Scheme, as at 31 December 2012, was signed by the Scheme Actuary in September 2013. The results, measured on an ongoing basis, indicated that the Scheme's assets excluding AVCs were 105% of the amount needed to cover the liabilities accrued to the valuation date, which equated to a surplus of €10.2 million. Following this valuation the Scheme Actuary indicated that there is no contribution required under the ongoing funding programme as the Scheme has a surplus at the valuation date and there is no future service accrual under the Scheme.

The results of the previous full actuarial valuation as at 31 December 2009 indicated that the Scheme's assets were sufficient to meet the liabilities accrued at the valuation date.

Discontinuance funding position:

Section 44 of the Pensions Act 1990 sets out a minimum funding test which reflects the position if the Scheme is discontinued. An Actuarial Funding Certificate (AFC) stating that the Scheme met this statutory test as at 31 December 2012 has been prepared by the Scheme Actuary.

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Trustee's report (continued)

From 1 January 2016, legislation requires that pension schemes hold additional assets above those currently required by the minimum funding test. These additional assets are to be considered as a risk reserve to allow for adverse future experience relating to the assets and liabilities of pension schemes. A Funding Standard Reserve Certificate (FSRC) stating that the Scheme would meet this requirement if it was in place as at 31 December 2012 has been prepared by the Scheme Actuary.

The Scheme Actuary's Funding Certificate confirming that the Scheme met the statutory test as at 31 December 2012 and the Funding Standard Reserve Certificate were submitted to the Pensions Authority and are on pages 15 and 16.

The latest Actuarial Statement that the Scheme met the statutory test as at 31 December 2014 is included on page 14.

In the event that the Scheme does not satisfy the minimum funding standard test, within the powers granted to it by legislation, the Trustee may decide that for members who wish to transfer the value of their benefits to another pension scheme, the transfer value will be reduced to protect the benefits of remaining members of the Scheme.

Any member affected by this will be notified in writing and may wish to take advice on whether to proceed with a transfer.

Subsequent events

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

Further information

Further details of investment performance are included in the Investment Report on the following pages.

We trust that members find this report informative and we are pleased to acknowledge the assistance received from the Principal Employer's parent, The Royal London Mutual Insurance Society Limited, and its staff during the year as well as from our various professional advisers.

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

Trustee Director



Trustee Director



Trustee Director



9 June 2015

Royal Liver Assurance Limited Superannuation Fund (ROI)

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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 investment responsibilities of the Trustee are governed by the Scheme's Trust Deed and Rules and relevant legislation. The Trustee has appointed investment managers 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.

The investment managers are all regulated by the Central Bank of Ireland or the relevant authority in the domicile country.

Investment managers fee structure

The investment managers' fees are based on a percentage per annum of the value of assets under management, details of which are included in the Investment Management Agreement (IMA). The fee scales are negotiated with the investment managers and are different by fund type. The Trustee periodically ensures that the fee levels remain competitive.

Investment principles

The Trustee maintains a Statement of Investment Policy Principles (SIPP) as required by section 35 of the Pensions Act 1995 (as updated by the Pensions Act 2004). The statement also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2006. A copy of the statement is included on page 42.

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Investment report (continued)

Fund manager	Asset class	Actual holding %	Central benchmark allocation %	Control ranges %
		13	11	8 – 14
Legal & General	World Equity			
Royal London Asset Management	Property	1	3	0 – 5
BlackRock Alternative Advisors	Fund of Hedge Fund	-	-	-
Standard Life Investments Limited	Diversified Growth Fund	6	6	3 – 9
	Growth assets	20	20	17 – 23
Royal London Asset Management	Corporate bonds	33	35	32 – 38
Royal London Asset Management	Liability hedge portfolio	47	45	42 – 48
Royal London Cash Management	Cash	-	-	0 – 5
	Matching assets	80	80	77 – 83
	Total	100	100	

The table above represents the allocation of assets held by the Investment Managers as at 31 December 2014 and the related benchmark and control ranges relevant as at that date. The table does not include AVC investments and other investment receivables. Asset allocations are monitored against the SIPP by using investment performance reports prepared by the Custodian.

The control ranges in the table show the maximum variation from the central position that will be accepted by the Trustee. The Trustee monitors the asset allocation as at each calendar quarter end. If the control ranges have been exceeded, the Trustee will consider what rebalancing action should be taken.

Employer related investments

Details of employer related transactions and investments are given in note 13 to the financial statements.

Custodial arrangements

The Scheme's direct investment assets, except for the directly owned property, 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)

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 a significant majority of the Scheme's investments are readily marketable. However, following the redemption of the Scheme's units in the BlackRock Fund of Hedge Fund in 2013, the Fund's Manager retained 10% of the proceeds and the fund is classified as a liquidating fund. The retained proceeds were deferred and are gradually being released upon sale of the underlying assets.

Review of investment performance

Details of the Scheme's investments are given in note 10 to the financial statements. An analysis of the Scheme's investment performance measured against the benchmarks as at 31 December 2014 is provided below.

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

Percentage returns	Year ended 31 December 2014	Since inception to 31 December 2014
	% pa	% pa
Royal Liver Assurance Limited Superannuation (ROI) Fund ¹	24.2	9.5
<i>Benchmark</i>	24.2	9.4

HSBC Bank plc calculated the performance measurement of the Scheme during the year. The Scheme's return was equal to (2013: 1.2% above) the benchmark return.

¹The total Scheme return contained in these Accounts (the "Total Return") was prepared by HSBC Bank plc, HSBC Securities Services ("HSBC"). Neither HSBC nor its affiliates are responsible for the selection or ongoing monitoring of the advisors of, investments in or counterparties for transactions of the portfolio. Neither HSBC nor its affiliates or their respective directors, officers or employees shall be responsible or liable for the consequences of the use of the Total Return, any information or analysis contained therein, or any liabilities, costs, expenses, damages or losses (including any direct or indirect special, punitive or consequential losses, goodwill, loss of profit, loss of reputation, loss of opportunity or anticipated saving and legal costs and expenses) (whether in contract, tort (including negligence) or otherwise) arising from or in connection with any decision made or action or inaction of any person in reliance on the Total Return.

The Total Return is not intended to serve as analysis, advice or recommendation in relation to the acquisition or disposal of any securities or other investment, and must not be relied upon as such. The Total Return should not be used as a basis for investment decisions by any person (including existing investors or potential investors).

You should make decisions on the acquisition or disposal of any securities or other investment independently and seek expert advice as appropriate.

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Investment report (continued)

The following benchmarks have been in place throughout the year as contained in the latest SIPP effective March 2014 which is on page 42.

Sector	Comparison Benchmark
Equities	FTSE All World Index (50% unhedged, 50% EUR hedged)
Property	IPD Property Index
Diversified Growth Fund	6 month LIBOR
Corporate Bonds	Merrill Lynch Non-Sovereign Index (EX00)
Liability Hedge Portfolio	Bespoke LDI Benchmark

Trustee Director



Trustee Director



Trustee Director



9 June 2015

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Actuarial statement and funding certificates

Actuarial Statement

ROYAL LIVER ASSURANCE LIMITED SUPERANNUATION FUND (ROI)

(“the Scheme”)

PB153418

Actuarial Statement

This statement is issued in accordance with the requirements of Section 55 of the Pensions Act 1990 ('the Act').

I confirm that I have assessed the position of the above Scheme as at 31 December 2014, having regard to the requirements of the Funding Standard set out under Section 44 of the Act.

On the basis of that assessment, I am reasonably satisfied that I **would** be in a position to certify that the Scheme satisfied the Funding Standard as set out in Section 44(1), if I were required to issue an Actuarial Funding Certificate under Section 42 of the Act with an effective date of 31 December 2014.

In addition, I confirm that I am reasonably satisfied that, if I was to prepare a Funding Standard Reserve Certificate under Section 42 of the Act for the Scheme as at 31 December 2014, I would be certifying that the Scheme **would** have satisfied the Funding Standard Reserve requirements set out in Section 44(2) of the Act at that date.

In making this statement reference has been made to Actuarial Standard of Practice ASP PEN-3 issued by the Society of Actuaries in Ireland.



Derek Hunter

Fellow of the Society of Actuaries in Ireland

10 February 2015

It should be noted that satisfying the Funding Standard should not be interpreted as the Scheme being in a position to purchase benefits with an insurance company in the event of a wind up which are identical to the member's accrued pensions at the date of certification. The above Statement refers solely to the position of the Scheme at its year end date and takes no account of any events that have taken place between that date and the date of signature of the statement.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Actuarial statement and funding certificates

Actuarial Funding Certificate

Schedule BD – Actuarial Funding Certificate

Article 4

THIS CERTIFICATE HAS BEEN PREPARED UNDER THE PROVISIONS OF SECTION 42(1) OF THE PENSIONS ACT 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS BOARD BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: Royal Liver Assurance Limited Superannuation Fund (ROI)

SCHEME COMMENCEMENT DATE: 1 January 2004

PENSIONS BOARD REFERENCE NO. PB 153418

EFFECTIVE DATE OF THIS CERTIFICATE: 31 December 2012

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY) 31 December 2009

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:-

(1) the resources of the scheme, which are calculated for the purposes of section 44(1) of the Act to be €238.340 million, **would** have been sufficient if the scheme had been wound up at that date to provide for the liabilities of the scheme determined in accordance with section 44(1) of the Act which, including the estimated expenses of administering the winding up of the scheme, amount to €204.626 million, and

(2) €0 of the resources of the scheme referred to in paragraph (1) comprise contingent assets, in accordance with and within the meaning of the guidance issued by the Board and prescribed under section 47 of the Act.

I, therefore, certify that as at the effective date of this certificate the scheme **satisfies** the funding standard provided for in section 44(1) of the Act.

I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:



Date: 11/6/2013

Name: Derek S Hunter

Qualification: Fellow of Society of Actuaries in Ireland

Name of Actuary's Employer/Firm: Towers Watson (Ireland) Limited
Actuary Certificate No. PO32

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Actuarial statement and funding certificates

Funding Standard Reserve Certificate

Schedule BE – Funding Standard Reserve Certificate

Article 4

THIS CERTIFICATE HAS BEEN PREPARED PURSUANT TO SECTION 42(1A) OF THE PENSIONS ACT, 1990 (the ACT) FOR SUBMISSION TO THE PENSIONS BOARD BY THE TRUSTEES OF THE SCHEME

SCHEME NAME: Royal Liver Assurance Limited Superannuation Fund (ROI)

SCHEME COMMENCEMENT DATE: 1 January 2004

PENSIONS BOARD REFERENCE NO. PB 153418

EFFECTIVE DATE OF THIS CERTIFICATE: 31 December 2012

EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY) N/A

On the basis of information supplied to me, having complied with any guidance prescribed under section 42(4)(b) of the Act and, subject thereto, having regard to such financial and other assumptions as I consider to be appropriate, I am of the opinion that at the effective date of this certificate:

- (1) the funding standard liabilities (as defined in the Act) of the scheme amount to €202.863 million,
- (2) the resources of the scheme (other than resources which relate to contributions or a transfer of rights to the extent that the benefits provided are directly related to the value of those contributions or amount transferred (**DC resources**)), calculated for the purposes of section 44(1) of the Act amount to €236.577 million,
- (3) €101.111 million of the amount referred to in paragraph (2) (subject to a maximum of an amount equal to the funding standard liabilities) is invested in securities issued under section 54(1) of the Finance Act 1970 (and known as bonds), securities issued under the laws of a Member State (other than the State) that correspond to securities issued under section 54(1) of the Finance Act 1970, cash deposits with one or more credit institutions and such other assets (if any) as are prescribed under section 44(2)(a)(iv) of the Act,
- (4) the amount provided for in section 44(2)(a) of the Act ($15\% \times ((1) \text{ minus } (3))$) is €15.263million,
- (5) the amount provided for in section 44(2)(b) of the Act, being the amount by which the funding standard liabilities of the scheme would increase if the interest rate or interest rates assumed for the purposes of determining the funding standard liabilities were one half of one per cent less than the interest rate or interest rates (as appropriate) assumed for the purposes of determining the funding standard liabilities less the amount by which the resources of the scheme (other than DC resources) would increase as a result of the same change in interest rate or interest rates is - €3.134 million,

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

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Actuarial statement and funding certificates

Funding Standard Reserve Certificate (continued)

- (6) the aggregate of (4) and (5) above amounts to €12.129 million, and
- (7) the additional resources (as defined in the Act) of the scheme amount to €33.714 million of which, in accordance with and within the meaning of the guidance issued by the Board and prescribed under section 47 of the Act, €0 comprises contingent assets and €0 of such contingent assets comprise an unsecured undertaking.

I therefore certify that as at the effective date of the funding standard reserve certificate the scheme **does** hold sufficient additional resources to satisfy the funding standard reserve as provided in section 44(2) of the Act.

I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature:



Date: 11/6/2013.

Name: **Derek S Hunter**

Qualification: **Fellow of Society of Actuaries in Ireland**

Name of Actuary's Employer/Firm: **Towers Watson (Ireland) Limited**
Actuary Certificate No. **PO32**

Actuarial statement and funding certificates

Explanatory Note to the certificate

EXPLANATORY NOTE – PROVIDED FOR INFORMATION ONLY AND NOT FORMING PART OF THE CERTIFICATE

This note is intended to provide clarification of the benefits that the actuary has valued in establishing the liabilities for the purposes of the certificate and assumes that the effective date of the certificate is after 22 September 2005. Section 44 of the Pensions Act, 1990, as amended, and the Third Schedule set out in detail the benefits valued.

If the scheme satisfies the funding standard, the actuary is of the opinion that the scheme would have had sufficient assets to meet specified benefits and expenses if it had been wound up. The opinion is based on the position at the effective date of the certificate.

The benefits can be summarised as follows:

- (1) *In respect of current pensioners -*
 - all future benefit entitlements under rules of the scheme
- (2) *In respect of members not currently receiving pensions -*
 - (a) all benefits secured by additional voluntary contributions or granted under the scheme by way of transfer of rights from another scheme, and
 - (b) the scheme benefits that are required by the Act to be preserved - this relates to all benefits accrued up to the effective date of the certificate and includes revaluation of benefits accrued from 1991, and
 - (c) the certified percentage of the additional benefits described in paragraph 5 of the Third Schedule. This normally relates to revaluation of benefits accrued before 1 January 1991.

Note to the Trustees

Under the Pensions Act, 1990, as amended, the trustees of a defined benefit scheme must arrange to have an actuarial valuation of the scheme carried out periodically and must obtain an Actuarial Funding Certificate.

Certificates must have an effective date of not more than 3 years after the scheme's inception or the date of the previous certificate or, where the previous certificate has an effective date before 23 September 2005, or where the scheme commenced prior to 23 September 2005 and it is the first certificate for the scheme, it must be prepared not more than 3½ years after the scheme's inception or the date of the previous certificate.

Certificates, completed by an actuary who holds a Scheme Actuary Certificate issued by the Society of Actuaries in Ireland, must be submitted to the Board within 9 months of the effective date, or, where the certificate is required as a result of a negative actuarial statement in the trustee annual report for the scheme, within 12 months of the last day of the period to which the trustee annual report relates. Certificates should be sent to:

The Pensions Board
Verschoyle House
28-30 Lower Mount Street
Dublin 2

Tel: (01) 6131900
www.pensionsboard.ie

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

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

We have audited the financial statements of the Royal Liver Assurance Limited Superannuation Fund (ROI) for the year ended 31 December 2014 which comprise the Fund Account, the Net Assets Statement and the Notes to the financial statements. The financial reporting framework that has been applied in their preparation is Irish pension law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of Trustee and Auditors

As explained more fully in the Statement of Trustee's responsibilities set out on page 21, the Trustee is responsible for the preparation of the financial statements showing a true and fair view, and for ensuring that contributions are made to the Scheme in accordance with the Scheme's rules and the recommendation of the actuary. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish pension law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Scheme's Trustee as a body in accordance with Section 56 of the Pensions Act 1990 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

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. 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.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended December 2014 and of the amount and disposition of the assets and liabilities (other than liabilities to pay pensions and other benefits in the future) at that date; and
- have been prepared in accordance with Generally Accepted Accounting Practice in Ireland.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

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

**Opinions on other matters prescribed by the Occupational Pension Schemes (Disclosure of Information)
Regulations, 2006**

In our opinion:

- the financial statements include the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 which is applicable and material to the Scheme;
- the contributions payable to the Scheme during the year ended December 2014 have been received by the Trustee within thirty days of the end of the scheme year; and
- such contributions have been paid in accordance with the rules of the Scheme and the recommendation of the Actuary.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

9 June 2015

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Statement of Trustee's responsibilities

The financial statements are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each Scheme year the annual report of the Scheme, including audited financial statements and the report of the auditor, to Scheme members, beneficiaries and certain other parties. The financial statements are required to:

- show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions for the Scheme year and the assets and liabilities (other than liabilities to pay benefits in the future) at the end of the Scheme year; and
- contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations 2006, including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice - Financial Reports of Pension Schemes (revised May 2007) ("SORP"), subject to any material departures disclosed and explained in the financial statements.

Accounting standards generally accepted in Ireland in preparing financial statements showing a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Accordingly, the Trustee must supervise the preparation of the financial statements and ensure that:

- suitable accounting policies are selected and then applied consistently;
- reasonable and prudent judgements and estimates are made; and
- the SORP is followed, or particulars of any material departures are disclosed and explained.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the Scheme containing the information specified in regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006. The Trustee is also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is required by law to have appropriate procedures in place throughout the year under review, to ensure that:

- contributions payable during the Scheme year are received by the Trustee in accordance with the timetable set out in Section 58A of the Act where applicable to the contributions and otherwise within 30 days of the end of the Scheme year and;
- contributions payable are paid in accordance with the rules of the Scheme and the recommendations of the Actuary.

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


Trustee Director


Trustee Director


Trustee Director

9 June 2015

Royal Liver Assurance Limited Superannuation Fund (ROI)

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			
Other income	4	200	65
		<u>200</u>	<u>65</u>
Benefits and other payments			
Benefits	5	9,017	8,563
Payments to and on account of leavers	6	187	552
Administrative expenses	7	487	387
Pension levy		<u>1,711</u>	<u>1,272</u>
		11,402	10,774
Net withdrawals from dealings with members		<u>11,202</u>	<u>10,709</u>
Returns on investments			
Investment income	8	6,915	6,951
Change in market value of investments	10	47,642	(6,492)
Investment management expenses	9	(431)	(502)
Net returns on investments		<u>54,126</u>	<u>(43)</u>
Net increase/(decrease) in the Scheme		<u>42,924</u>	<u>(10,752)</u>
Opening net assets of the Scheme		227,588	238,340
Closing net assets of the Scheme		<u>270,512</u>	<u>227,588</u>

The notes to the financial statements on pages 24-37 form part of these financial statements.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Net assets statement

	<i>Notes</i>	2014	2013
		€'000	€'000
Investment assets	<i>10</i>	273,280	228,460
Investment liabilities	<i>10</i>	(3,469)	(1,270)
Net investment assets		269,811	227,190
Current assets	<i>11</i>	1,209	878
Current liabilities	<i>12</i>	(508)	(480)
Net assets of the scheme		270,512	227,588

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 8 and in the Actuarial statement, Actuarial funding and Funding standard reserve certificates on pages 14 to 18 of the Annual report, and these financial statements should be read in conjunction with them.

The notes to the financial statements on pages 24-37 form part of these financial statements.

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


Trustee Director
Trustee Director
Trustee Director**9 June 2015**

Royal Liver Assurance Limited Superannuation Fund (ROI)

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 under the historical cost convention with the exception of investments which are accounted for at market value, in accordance with The Occupational Pension Schemes (Disclosure of Information) Regulations 2006 and in line with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007), published by the Pensions Research Accountants Group.

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in Ireland. Accounting standards generally accepted in Ireland in preparing financial statements showing a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

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 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 and index linked 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 if both bid and offer prices are published or, if single priced, at the closing single price.

Freehold and leasehold property is stated at open market value at the year end, as determined in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards by the Trustee on the basis of professional advice from CB Richard Ellis (Chartered Surveyors). No depreciation is provided on freehold buildings or long leasehold properties.

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

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 is not distributed but is retained within pooled funds and is reflected in the market value of the units.

Rent on property is earned in accordance with the terms of the lease and is accounted for on an accruals basis.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

2. Accounting policies (continued)

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 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.

Transfers to and from other schemes

Transfer values represent the amounts receivable and payable during the year for members who have either joined or left the Scheme. All the 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.

Payments to members

Benefits are accounted for 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.

Expenses

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

Foreign currency conversion

Assets and liabilities in foreign currencies are expressed in euro 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.

Derivatives

Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices.

The fair value of the swaps is calculated using pricing models based on the market price of comparable instruments at the year end date, if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts.

Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

Royal Liver Assurance Limited Superannuation Fund (ROL)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

3. Constitution of the Scheme

The Scheme was established by the Trust Deed dated 5 December 2003, which has been amended by a Deed of Amendment dated 29 February 2008 and most recently by a Deed of Adherence, Amendment and Substitution dated 4 May 2011. The Scheme was approved as an 'exempt approved Scheme' for the purposes of Section 774, part 30, Chapter 1 of the Taxes Consolidation Act 1997 and thus the Scheme's income and gains generally are exempt from taxation, except for the introduction of a Pensions Levy in 2011. Section 4 of the Finance (No. 2) Act 2011 inserted a new section 125B into the Stamp Duties Consolidation Act 1999. This section titled "Levy on pension schemes" applies a Stamp Duty levy of 0.6% to the market value of assets under management as at 31 December or 30 June in certain Revenue approved pension funds. The levy rate was amended to 0.75% for assets under management in 2014 and 0.15% for assets under management in 2015 under the Finance (No.2) Act 2013.

4. Other income

	2014	2013
	€000	€000
Transfers in (AVC)	200	6
VAT refund	-	59
	<u>200</u>	<u>65</u>

The AVC transfer in is due to a member transferring in their AVC benefits on retirement from the RL Caledonian Life Pension Plan, a defined contribution scheme.

The Scheme received a VAT refund from the Irish Revenue following review of input and output VAT.

5. Benefits

	2014	2013
	€000	€000
Pensions	8,032	8,038
Commutations and retirement lump sums	972	503
Lump sum on death	13	22
	<u>9,017</u>	<u>8,563</u>

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)**6. Payments to and on account of leavers**

	2014	2013
	€000	€000
Individual transfers to other schemes	187	552
	187	552

7. Administrative expenses

	2014	2013
	€000	€000
Administration fees	202	159
Actuarial fees	118	120
Legal fees	60	58
Audit fees	16	15
Trusteeship fees	28	35
Consultancy fees	4	-
VAT payable	59	-
	487	387

8. Investment income

	2014	2013
	€000	€000
Income from fixed interest securities	6,655	6,614
Rents from properties	260	337
	6,915	6,951

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

8 Investment income (continued)

The Scheme restructured its portfolio of investment assets towards the end of 2012 by significantly reducing its holding in pooled funds and directly holding a significant proportion of the investment assets in bonds. This change significantly increased the income released to meet benefits and expenses payments instead of being reinvested as in the case of pooled funds.

9 Investment management expenses

	2014	2013
	€000	€000
Administration and management	329	414
Custodian charges	27	37
Investment advisory	62	59
Investment performance	13	-
Investment management fee rebates	-	(8)
	<u>431</u>	<u>502</u>

The fee rebates represent amounts received by the Scheme as reimbursement of the management fees reflected in the unit prices of the Standard Life Diversified Growth Fund.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)**10. 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	10 (iii)	172,974	78,083	(73,869)	30,106	207,294
Derivatives	10 (iv)	(1,169)	197,144	(210,493)	12,382	(2,136)
Pooled investment vehicles	10 (v)	45,048	749	(1,389)	5,170	49,578
Properties	10 (vi)	2,250	-	-	-	2,250
AVC investments	10 (ix)	1,522	-	(250)	(16)	1,256
		<u>220,625</u>	<u>275,976</u>	<u>(286,001)</u>	<u>47,642</u>	<u>258,242</u>
Cash and cash equivalents	10 (vii)	2,163			-	7,940
Other investment balances	10 (viii)	4,402			-	3,629
		<u>6,565</u>			<u>-</u>	<u>11,569</u>
Net investment assets		<u>227,190</u>			<u>47,643</u>	<u>269,811</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.

(i) 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 collateral received from the counterparty to the transaction.

Cash collateral received by the Scheme as at 31 December 2014 was nil (2013: nil).

Notes to the financial statements (continued)

10. Investments (continued)

(i) Collateral arrangements (continued)

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 Eurozone sovereign debt with a market value, as at 31 December 2014, of €2.7 million (2013: €1.7 million) and is included in the investment assets.

Stock collateral was also received by the Scheme in the form of Eurozone sovereign debt in respect of derivatives undertaken during the year. The market value of the stock collateral received as at 31 December 2014 is nil (2013: €1.1 million) and is not included in the Scheme's assets.

(ii) 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. Transaction costs incurred during the year amounted to nil (2013: nil). 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
Eurozone quoted public sector bonds	121,019	91,309
Eurozone quoted corporate bonds	65,783	62,603
Non-Eurozone quoted corporate bonds	20,492	19,062
	<u>207,294</u>	<u>172,974</u>

(iv) Derivatives

The Trustee allows the investment managers the discretion to use derivatives. These are financial instruments whose value is dependent on the value of an underlying index, currency, commodity or other asset. The Trustee understands that derivatives may only be used 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 may not be used for speculative purposes. Furthermore, restrictions are in place with each investment manager to limit the overall extent of derivatives usage and exposure to certain types of derivatives. Derivative contracts are included in the Net Assets Statement at fair value. For exchange traded derivative contracts that are assets, fair value will be based on bid prices. For exchange traded derivative contracts that are liabilities, fair value will be based on offer prices.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

10. Investments (continued)

(iv) Derivatives (continued)

There are four types of derivatives namely Swaps, Futures, Options and Forward foreign exchange contracts. During the year the Scheme used swaps.

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.

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.

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.

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 amount 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.

In a bond the buyer pays the principal amount at issue (start), then receives coupons (computed off this principal) over the life of the bond, then receives the principal back at maturity (end).

In a swap, no principal changes hands at inception (start) or expiry (end), and in the meantime, interest/other payments are computed based on a notional amount, which acts as if it were the principal amount of a bond, hence the term notional principal amount, abbreviated to notional.

The notional principal amount is essentially how much of the asset or bonds a person has. For example, if a premium bond was bought for £1 then the notional principal amount would be £1. Hence the notional principal amount is the quantity of the assets and bonds.

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)

10. Investments (continued)

(iv) Derivatives (continued)

Expiration	Nature of Swap	No of contracts	Notional principal €000	Assets €000	Liabilities €000	2014 Net €000
04 August 2015	Total return swap	3	27,500	-	(33)	(33)
27 June 2016	Interest rate swap	2	20,000	-	(123)	(123)
05 January 2017	Interest rate swap	1	10,000	-	(4)	(4)
27 June 2021	Interest rate swap	3	21,400	-	(2,005)	(2,005)
28 October 2021	Interest rate swap	1	4,000	-	(382)	(382)
23 December 2021	Interest rate swap	1	4,000	-	(388)	(388)
02 July 2022	Interest rate swap	1	3,500	-	(157)	(157)
11 August 2024	Interest rate swap	1	2,400	-	(133)	(133)
03 December 2024	Interest rate swap	1	6,000	-	(76)	(76)
17 December 2029	Interest rate swap	1	4,300	69	-	69
17 December 2034	Interest rate swap	1	2,270	47	-	47
11 August 2039	Interest rate swap	1	1,000	-	(168)	(168)
20 August 2049	Interest rate swap	1	3,500	588	-	588
12 August 2064	Interest rate swap	1	2,000	589	-	589
15 December 2064	Interest rate swap	1	830	40	-	40
				1,333	(3,469)	(2,136)

Expiration	Nature of Swap	No of contracts	Notional principal €000	Assets €000	Liabilities €000	2013 Net €000
06 December 2030	Interest rate swap	1	4,350	-	(252)	(252)
06 December 2035	Interest rate swap	1	2,730	-	(220)	(220)
06 December 2047	Interest rate swap	1	4,500	-	(428)	(428)
03 December 2062	Interest rate swap	1	1,500	-	(99)	(99)
06 December 2025	Interest rate swap	1	1,500	-	(46)	(46)
27 June 2021	Interest rate swap	3	21,400	-	(107)	(107)
27 June 2016	Interest rate swap	2	20,000	-	(97)	(97)
30 June 2014	Total return swap	3	27,500	74	(18)	56
28 October 2021	Inflation rate swap	1	4,000	12	-	12
23 December 2021	Inflation rate swap	1	4,000	15	-	15
02 January 2017	Inflation rate swap	1	7,000	-	(3)	(3)
				101	(1,270)	(1,169)

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Notes to the financial statements (continued)**10. Investments (continued)****(v) Pooled investment vehicles**

	2014	2013
	€000	€000
Unitised insurance policies	49,353	44,584
Fund of hedge fund	225	464
	49,578	45,048

The underlying assets held in the unitised insurance policies comprise euro hedged and un-hedged global equities and diversified growth funds managed by companies registered in the United Kingdom. The underlying assets held in the Fund of Hedge Fund consists of United States Dollar denominated participating shares in an investment company registered in the Cayman Islands and are managed by a company registered in the United States.

(vi) Properties

	2014	2013
	€000	€000
Freehold	2,250	2,250
	2,250	2,250

The remaining property was valued at 31 December 2014 by CB Richard Ellis Limited (Chartered Surveyors), in accordance with the RICS/SCS Valuation Standards Sixth Edition.

(vii) Cash and cash equivalents

	2014	2013
	€000	€000
Cash held by investment managers	7,940	2,163
	7,940	2,163

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Notes to the financial statements (continued)**10. Investments (continued)****(viii) Other investment balances**

	2014	2013
	€000	€000
Interest accrued	3,620	4,189
Investment income receivable	9	213
	3,629	4,402

(ix) 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
Zurich Assurance Limited	1,256	1,522
	1,256	1,522

The AVC investments above exclude those previously held by the Scheme which were transferred to the RL Caledonian Life Pension Plan, a defined contribution scheme in November 2011 and are administered by Zurich Life Assurance plc.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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for the year ended 31 December 2014

Notes to the financial statements (continued)**10. Investments (continued)****(x) Concentration of investments**

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

	2014		2013	
	€000	%	€000	%
Federal Republic of Germany 6.25% BDS 4/1/2030	20,060	7.4	17,138	7.5
Federal Republic of Germany 4.75% BDS 4/7/2034	16,651	6.2	13,546	6.0
Legal and General GD World Equity Index	16,454	6.1	14,100	6.2
Government of France 4% STRIP PRNC 25/04/60	16,178	6.0	11,439	5.0
Standard Life Global Absolute Return	15,677	5.8	14,953	6.6
Legal and General GPAR World Equity Index	15,419	5.7	15,531	6.8
Federal Republic of Germany 4.75% BDS 4/7/2034	15,076	5.6	-	-
	115,515	42.8	86,707	38.1

11. Current assets

	2014	2013
	€000	€000
Cash balances	476	263
Benefits paid in advance	586	568
Other debtors	147	47
	1,209	878

Benefits paid in advance are pensioner benefits for January 2015 paid on 31 December 2014 in advance of the due date, 1 January 2015, due to the date falling on a bank holiday.

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Notes to the financial statements (continued)

12. Current liabilities

	2014	2013
	€000	€000
Amounts due to employer	45	35
Tax payable	110	89
Accrued expenses	259	197
Other creditors	94	159
	<u>508</u>	<u>480</u>

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

13. Related party transactions and employer related investments

i) The employer

Royal Liver Trustee Services Ireland 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. Costs incurred in providing these services which are recharged to the Scheme amounted to €186,591 (2013: €139,969) and are included in note 7.

ii) Trustee Directors

During the year two Trustee Directors were in receipt of a pension from the Scheme.

One Trustee Director was eligible for a subsistence allowance and travelling expenses for attendance at Trustee Meetings in 2014 but elected not to claim these (2013: nil).

One Trustee Director was paid fees amounting to €28,290 (2013: €35,362) in respect of their trustee services. The fees were higher in 2013 due to part of the fees for 2012 being paid by the Scheme in 2013. Fees amounting to €7,072 (2013: €7,072) were payable by the Scheme as at year-end and are included in note 12.

No other Trustee Director received remuneration in connection with the management of the Scheme.

iii) 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 9.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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for the year ended 31 December 2014

Notes to the financial statements (continued)

13 Related party transactions and employer related investments (continued)

Royal London Asset Management Limited (RLAM) is a subsidiary company of The Royal London Mutual Insurance Society Limited. RLAM is the investment manager of the corporate bond, LDI and property investments of the Scheme on an arm's length basis. They are remunerated in accordance with the terms of a normal commercial contract and their fees amounted to €277,091 (2013: €263,573). Fees amounting to €73,594 (2013: €43,067) were payable by the Scheme as at year-end and are included in note 12.

Royal London Cash Management Limited (RLCM) is a subsidiary company within the Royal London Group. RLCM is the investment manager of the cash investments of the Scheme on an arm's length basis. They are remunerated in accordance with the terms of a normal commercial contract and fees for 2014 amounted to nil (2013: nil).

iv) Employer Related Investments

There are no employer related investments held by the Scheme during the year.

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

14. 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 10(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).

15. Subsequent events

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

16. Approval of financial statements

The financial statements were approved by the Trustee on 9 June 2015.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Compliance statement

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

Legal status

The Scheme is a self-administered Occupational Pension Scheme and is governed by its own Rules.

The Scheme has been approved by the Revenue Commissioners as a Retirement Benefits Scheme for the purposes of Part 30, Chapter 1, Taxes Consolidation Act 1997 and will be treated as an Exempt Approved Scheme for the purposes of Section 774 of that Act, both with effect from 1 January 2004.

As such its assets are allowed to accumulate free of income and capital gains taxes. In addition, tax relief is given on employer and member contributions to the Scheme and certain lump sum payments to members can be paid free of tax.

Changes to the Scheme Rules

The definitive Trust Deed and Rules were executed on 5 December 2003. The Scheme Rules were amended with effect from 1 July 2011.

Changes in benefits

Deferred pensions were increased in accordance with the revaluation procedures of the Pensions Act 1990 and 2002.

There are no pensions or pension increases being paid by or at the request of the Trustee for which the Scheme would not have a liability should it wind up.

Scheme advisors

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

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of risks

Statement concerning the condition of the Scheme, in particular concerning the financial, technical and other risks associated with the Scheme and their distribution.

Under law, the Trustee Directors are required to describe the condition of the Scheme and the risks associated with the Scheme, and disclose these to members.

In a 'defined benefit' Scheme, the main risk is that there will be a shortfall in the assets (for whatever reason) and the employer will not be willing or able to pay the necessary contributions to make up the shortfall. If that occurs, members may not get their anticipated benefit entitlements. Some of the reasons why a shortfall could arise are as follows (this list may not be exhaustive):

- The assets may grow more slowly than expected, or even fall in value, depending on the performance of underlying markets and the securities chosen.
- Similarly, the liabilities may grow faster than expected due to higher salary or pension increases, or due to unfavourable movements in interest rates, or due to mortality and other elements of the Scheme's experience varying from the assumptions made.
- The administration of the Scheme may fail to meet acceptable standards. The Scheme could fall out of statutory compliance, the Scheme could fall victim to fraud or negligence or the benefits communicated to members could differ from the liabilities valued by the actuary.

If the Scheme were to wind up and the assets were insufficient to meet benefits due, the law specifies that members' AVCs and then pensioners have first call on the assets of the Scheme before benefits can be paid to those who have yet to reach normal retirement age.

The Trustee Directors are satisfied that they are taking all reasonable steps to protect the members from the effects of these risks, which include the following:

- Professional investment managers have been appointed to manage the Scheme's investments, the Scheme holds a range of diversified assets and there is regular monitoring of how these investments are performing.
- An actuarial valuation of the Scheme is carried out at least every three years to assess the financial condition of the Scheme and determine the rate of contributions likely to be required to meet the future liabilities of the Scheme. In addition, an annual review of the solvency position is carried out of the Scheme on the assumption that it is wound up. If the Scheme is found to be insolvent, the Trustee Directors and the employer are required to complete a funding proposal for submission to the Pensions Authority with the objective of returning the Scheme to solvency.
- The Trustee Directors have access to experienced professional advisers and administrators to assist with the proper running of the Scheme.

However, it is not possible to guard against every eventuality. For example, the employer or of particular relevance in this case, its holding company may cease to trade, go into liquidation or may for other reasons decide to cease its liability to contribute to the Scheme. In this event, the Scheme may be wound up, future accrual of benefits may cease and accrued entitlements would be discharged from the available assets (which may or may not be sufficient to discharge member benefit expectations, as outlined above). Also, it is necessary to take some investment risk and other risks in order to manage the affordability of the Scheme benefits and the capacity of the employer to meet this commitment.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of risks (continued)

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 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.
- The risk of deterioration in the ability of the Scheme's Principal Employer 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.
- 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 and asset managers.
- 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 Trustees and Third party advisors where appropriate.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Further information

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 (and is also available at the end of these accounts on page 48).

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 (ROI) at the following addresses.

Queries from members about their benefit entitlements:

c/o Staff Pensions Manager

Royal London House

Alderley Road

Wilmslow

SK9 1PF

Email: RLStaffpensions@royallondon.com

Phone: 44(0)1625 604960

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

c/o Company Secretary

Royal London Group

55 Gracechurch Street

London

EC3V 0RL

Email: cosec@royallondon.com

Phone: 44(0)207 506 6500

Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual report and financial statements

for the year ended 31 December 2014

Statement of Investment Policy Principles – March 2014

1. Introduction

This document constitutes the Statement of Investment Policy Principles (the “Statement”) of the Royal Liver Assurance Limited Superannuation Fund (ROI) (the “Fund”) prepared by R.L. Pensions Trustees (ROI) Limited (the “Trustee”). The Statement has been adopted by the Trustee in order to fulfil the requirements of the Occupational Pension Schemes (Investment) Regulations 2006, which stipulate that such a Statement is put in place.

The Statement is intended to affirm the investment principles that govern decisions about the Fund’s investments.

In preparing this Statement, the Trustee has consulted the Principal Employer, Royal Liver Trustee Services Ireland Limited (“the Company”) and has also consulted The Royal London Mutual Insurance Society as the ultimate parent of the Principal Employer. The Trustee has also obtained and considered professional advice from its investment consultant, Mercer.

The investment responsibilities of the Trustee are governed by the Fund’s Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation. According to the law, the Trustee has ultimate power and responsibility for the Fund’s investment arrangements.

2. Process for Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Consider the broad level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the Trustee’s risk tolerance.

In considering the appropriate investments for the Fund, the Trustee has taken advice from Mercer. Where matters described in this Statement may affect the Fund’s funding policy, input has also been sought from the Fund’s Actuary.

3. Investment Objectives

The Trustee’s objective is to invest the Fund’s assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of key objectives to help guide it in its strategic management of the assets and control of the various risks to which the Fund is exposed.

The Trustee’s primary objectives are as follows:

- To ensure the Fund has sufficient and appropriate assets to pay members’ benefits as they fall due.
- To maximise long term return subject to the appropriate management of the risks associated with pension funding.
- To limit the risk of the assets failing to meet the liabilities in relation to the Minimum Funding Standard (“MFS”).

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of Investment Policy Principles – March 2014 (continued)

The Trustee is aware that some of these objectives may conflict and realises that a balance must be attained which is consistent with its attitude to risk and desire to maximise long term investment returns.

The Trustee pays due regard to the Company's views with respect to the potential size and incidence of contribution payments, and the degree to which the Company accepts variation in the fund's surplus or deficit as a consequence of the investment policy adopted.

4. Investment Risk Management and Measurement

There are various investment related risks to which any pension plan is exposed. The Trustee's policy on risk management with regard to the investment arrangements of the Fund's main assets is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Fund's assets and liabilities. The Fund's assets should share similar characteristics with its liabilities, in terms of duration and nature.
- The risk associated with the non-euro denominated assets (in this case non-euro equities) fluctuating in value due to currency movements. To protect against this risk a proportion of the Fund's overseas equity exposure is hedged back to Euro.
- The Trustee recognises that whilst increasing risk is expected to increase the potential for greater returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. Any deterioration in the Fund's funding level could lead to higher than expected contributions from the Company. The Trustee has taken advice on the matter and has considered carefully and comprehensively the implications of adopting different levels of risk.
- While the risk introduced through investing a proportion of the Fund's assets in growth asset classes could lead to volatility in the funding level disclosed at a subsequent actuarial valuation, it is felt that this risk is acceptable in view of the potential benefits of the expected extra returns. Meanwhile, the extra returns should work through ultimately to greater security for members of the Fund and lower costs falling on the Company.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure that the asset allocation and manager structure policies in place result in an adequately diversified portfolio.
- The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its ability to contribute appropriately to the Fund. It is further supported by the conditional guarantee provided by The Royal London Mutual Insurance Society. The financial strength of the Company and its perceived commitment to the Fund is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate.
- The documents governing the Investment Manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund. The Investment Managers are prevented from investing in asset classes outside of their mandate without the Trustee's prior consent.
- Within the Liability-Driven Investment ("LDI") assets, the Trustee recognises the risks associated with counterparty credit risk and is satisfied with the guidelines adopted by the LDI manager. The Trustee has sought to minimise credit risk by investing the majority of the LDI assets in high quality Eurozone government bonds and by setting a minimum average credit rating target of A for the Euro corporate bond component of the LDI assets. In addition, the Trustee understands the risks associated with needing to generate EURIBOR to support derivative instruments as may be needed from time to time within the LDI assets to closely hedge the liabilities.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of Investment Policy Principles – March 2014 (continued)

- The Trustee recognises that the LDI assets will not provide a perfect match to the target liability value. Furthermore, there are different measures of the liability that will not be perfectly matched by the LDI assets.
- The Trustee is also conscious of certain additional liability risks such as inflation risk and longevity risk and will keep these risks under review to determine what mitigating action, if any, might need to be taken.
- The Trustee recognises the risks of underperformance introduced by the use of active managers but believes that active management, through the careful selection of suitable managers, can add value. Arrangements are in place to monitor the continuing suitability of the current investments. The Trustee regularly reviews the continuing suitability of the Fund's investments including the appointed managers and the balance between active and passive management. Performance is independently measured and the Trustee receives regular reports from the Investment Managers and the Scheme's Accountant (using data provided by the Scheme's Custodian). It also receives an annual report on performance from its appointed investment consultant.
- The Trustee recognises that investments in illiquid asset classes, for example hedge funds and property, may not be readily realisable. The Trustee limits the allocations to such assets to what is felt to be acceptable levels.
- The safe custody of the Fund's assets is delegated to a professional custodian either directly or via pooled vehicles. The custodian is responsible for the prompt reclaim of withholding taxes and other taxes on income due to the Fund.

Should there be a material change in the Fund's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

5. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Fund's investments;

- The Trustee, together with the Fund's administrators, will ensure there is sufficient cash to meet the likely benefit outgo. The Trustee's policy is that there should be sufficient investments in liquid or easily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Fund's overall investment policy where possible.
- The Trustee ensures that the majority of the assets are invested in regulated markets and that any allocation to unregulated markets is maintained at a prudent level.
- The Trustee and Investment Managers (who have delegated discretion) exercise their powers in a manner calculated to ensure the security, quality, liquidity and profitability of the Fund. The Trustee invests the assets in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.
- The Trustee may use, or permit the Investment Managers to use, derivative instruments if they contribute to a reduction of risk or facilitate efficient portfolio management. This includes the Trustee, after taking advice, directing the Investment Manager(s) to use interest rate swaps, and inflation swaps and total return swaps to reduce risk in the Fund by reducing the interest rate and inflation mismatch between the assets and the liabilities.
- The Trustee does not permit direct investment in:
 - a. Securities issued by the Employer
 - b. Property leased to the Employer

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of Investment Policy Principles – March 2014 (continued)

6. Investment Strategy

The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the characteristics of the Fund's liabilities. Given the on-going commitment of the Company to the Fund, a degree of mismatching risk can be accepted on the basis that it is also acceptable to the Company.

Subsequent to a strategy review completed by the Trustee and its advisers in 2013, the Trustee decided on a new investment strategy as shown below and on the next page:

Asset Class	Central Benchmark Allocation (%)	Control Ranges (%)	Benchmark
Equities	14	10 – 20	FTSE All World Index (50% unhedged / 50% EUR Hedged)
Diversified Growth Fund	6	0 – 10	6 month LIBOR
Property	0	0 – 5	
Fund of hedge funds	0	0 – 1	
Return Seeking Assets	20	10 – 30	
Corporate Bonds	35	30 – 40	Merrill Lynch Non-Sovereign Index (EX00)
Liability Driven Investments	45	40 – 50	Bespoke LDI Benchmark
Cash	0	0 – 5	
Liability Matching Assets	80	70 – 90	
Total	100		

The control ranges show the maximum variation from the central position that will be accepted by the Trustee. The Trustee monitors the asset allocation as at each calendar quarter end, using Investment Performance Reports prepared by the Scheme's Accountant (using data provided by the Scheme's Custodian). If the control ranges have been exceeded, rebalancing action will be taken.

The strategic asset allocation will evolve over time to reflect a reduced equity exposure and an increased bond exposure according to a de-risking framework to be agreed by the Trustee.

The currency of the Fund, and of the benchmark, is the Euro. The composite performance benchmark above is calculated on a quarterly basis.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of Investment Policy Principles – March 2014 (continued)

7. Manager Structure and Performance Objectives

Investment Manager	Fund/Mandate	Benchmark	Performance Objective
Legal & General Investment Management Limited ("L&G")	Passive Global Equities	FTSE All-World Index (50% unhedged / 50% EUR Hedged)	To track the performance of the benchmark within the tracking error tolerance range of +/- 0.5% p.a. in two years out of three
Blackrock Alternative Advisors ("Blackrock")	Legacy Fund of Hedge Funds	n/a	n/a
Standard Life Investments ("Standard Life")	Diversified Growth	6 month LIBOR	To outperform the return of the benchmark by 5.0% p.a. gross of fees, with a tracking error range of 4.0% - 8.0% p.a.
Royal London Asset Management ("RLAM")	Legacy Property	n/a	n/a
Royal London Asset Management ("RLAM")	Liability Driven Investments	Bespoke benchmark	To match 75% of the interest rate risk of the liabilities valued using high quality Euro government bond yield curves, net of such matching provided by the corporate bond portfolio.
Royal London Asset Management ("RLAM")	Corporate Bonds	Merrill Lynch Non-Sovereign Index (EX00)	To outperform the return of the benchmark by 0.75% p.a. gross of fees over rolling 3 year periods, with an expected tracking error of up to 3% p.a.

Performance is evaluated against the above objectives on at least an annual basis, and a thorough review is carried out every three years

8. Day-to-Day Management of the Assets

Day to day management of the assets is delegated to professional Investment Managers, who are all regulated by the Central Bank of Ireland, the Financial Services Authority or the relevant authority in the domicile country. The Investment Managers have full discretion to buy and sell investments on behalf of the Fund subject to agreed constraints and applicable legislation. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Fund's investments. Investments are managed for the Fund to specific mandates which include performance objectives, risk parameters and timescales over which performance will be measured.

9. Expected Return

Given the investment strategy adopted, the Trustee expects to generate a return, over the long term c. 1.0% p.a. above that which would have been achieved had no investment risk been taken within the portfolio (i.e. had the assets been invested solely in a portfolio of long dated government debt which is a proxy for the growth of the Fund's liabilities). It is recognised that over the short term, performance may deviate significantly from the long term target and there are no guarantees that such a return will be achieved.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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Statement of Investment Policy Principles – March 2014 (continued)

10. Additional Assets

The Trustee has established an Additional Voluntary Contributions (“AVCs”) arrangement, in which members’ AVCs are invested to enhance their benefits at retirement.

The Trustee reviews the investment performance of the chosen AVC provider on a regular basis and takes advice as to the providers’ continued suitability.

11. Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

12. Socially Responsible Investment and Corporate Governance

The Trustee accepts that the assets invested in pooled arrangements are subject to the managers’ own policies on social, environmental and ethical investment.

Similarly, by using a pooled investment vehicle for its equity investments, the Trustee accepts that the day-to-day application of voting rights will be carried out by the investment manager in accordance with the manager’s corporate governance policy. The manager has in place clear policies of normally voting on all issues on behalf of its investors’ best financial interests and has provided the Trustee with a statement detailing their voting policy and practices.

13. Compliance with and Review of this Statement

The Trustee monitors compliance with this Statement annually and will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will be made in consultation with the Company and only after having obtained and considered written advice of someone whom the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension fund investments.

Effective Date of this Statement: 19 March 2014

Royal Liver Assurance Limited Superannuation Fund (ROI)

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for the year ended 31 December 2014

ROYAL LIVER ASSURANCE LIMITED SUPERANNUATION FUND (ROI)

INTERNAL DISPUTE RESOLUTION PROCEDURE

Objective

As required by the Pensions Acts 1990 (as amended), the Superannuation Fund has an internal procedure for resolving any disputes which may arise between the Trustee of the Fund (or its agents) and members of the Fund. A claim may be made by or on behalf of any of the following:

- Current members
- Pensioner members
- Former members
- Beneficiaries or prospective beneficiaries

Note: If you make a complaint under the procedure, you may appoint a representative to act on your behalf. The representative does not need to have any connection with the Superannuation Fund. Where a person who has made a complaint dies before the complaint has been dealt with, the application may be continued by his or her personal representatives.

This procedure relates to any complaint where the actual or potential beneficiary alleges that he has sustained financial loss caused by maladministration of the Fund, or who disputes an issue of law or fact that arises in relation to an act performed in the management of the Fund.

Exclusions

The procedure does not apply to:

- Any dispute with the employer (unrelated to the Superannuation Fund) – this should be dealt with through Royal London's grievance procedure.
- Any dispute which may be determined by the Pensions Authority (in relation to certain specified issues) or by the Director of Equality Investigations (equal treatment of employees in relation to access to a scheme)
- Where the complaint or dispute was previously examined by the Pensions Authority, the scheme is a frozen scheme or a scheme which has commenced to be wound up.

Making a Complaint

In the first instance, a complaint should be made in writing to Staff Pensions. If the matter is not resolved to your satisfaction, then you have a statutory right to have the issues giving rise to the dissatisfaction investigated through the Internal Dispute Resolution Procedure explained overleaf.

Royal Liver Assurance Limited Superannuation Fund (ROI)

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COMPLAINT TO THE TRUSTEE

An application can be made on the standard form supplied (the form should be fully completed) and should be submitted to:

R.L. Pensions Trustees (R.O.I.) Limited
c/o Michael Burt
Royal London Group
55 Gracechurch Street
London
EC3V 0RL

R.L. Pensions Trustee (R.O.I.) Limited is the corporate Trustee of the Superannuation Fund (R.O.I.).

Following receipt of the application, the Trustee will review the details of the complaint or dispute as presented by the applicant (additional information may be requested if required) and will then make a determination in relation to the matter. The decision of the Trustee (or a Sub-Committee of the Trustee nominated for this purpose), will be made within three months of receipt of the complaint and all relevant information.

The formal determination will include the following:

- References to any legislation, legal precedent, ruling of the Pensions Authority, ruling or practice of the Revenue Commissioners or other material relied upon;
- Reference to such parts of the Rules of the Scheme relied upon and, where a discretion has been exercised, reference to the rule by which such discretion is conferred;

Where the complaint arises from the exercise of a discretion, the reason for it being exercised in a certain way may not be given. However, reference will be made to the part of the Scheme documentation which authorises the Trustee to exercise the discretion.

Following receipt of the Trustee's determination, if you are not happy with the outcome, you have the right to raise the matter with the Pensions Ombudsman. The Ombudsman may be contacted at:

The Office of the Pensions Ombudsman
36 Upper Mount Street
Dublin 2

Tel: (01) 647 1650
Fax: (01) 676 9577
E-mail: info@pensionsombudsman.ie
Website: <http://www.pensionsombudsman.ie/>