

# **Royal Liver Assurance Limited Superannuation Fund (ROI)**

**Annual Report and Financial Statements**

**for the year ended 31 December 2017**

**Scheme Registration Number: PB 153418**

**Royal Liver Assurance Limited Superannuation Fund (ROL)**

**Annual Report and Financial Statements**

**for the year ended 31 December 2017**

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**Trustee and advisers**

<b>Principal Employer</b>	Royal Liver Trustee Services Ireland Limited												
<b>Corporate Trustee</b>	R. L. Pensions Trustees (R.O.I.) Company Limited by Guarantee												
<b>Trustee Directors</b>	<table><tr><th><b>Employer nominated</b></th><th><b>Member nominated</b></th></tr><tr><td>John Feely (Chairman) (I)</td><td>Jim Potter (P)</td></tr><tr><td>Jon Glen</td><td>Michael Murphy (P)</td></tr><tr><td>Viviana Pascoletti (appointed 1 January 2018)</td><td></td></tr><tr><td>Alex Koslowski (appointed 1 January 2017; resigned 31 December 2017)</td><td></td></tr><tr><td>(I) <i>Independent trustee</i></td><td>(P) <i>Pensioner member</i></td></tr></table>	<b>Employer nominated</b>	<b>Member nominated</b>	John Feely (Chairman) (I)	Jim Potter (P)	Jon Glen	Michael Murphy (P)	Viviana Pascoletti (appointed 1 January 2018)		Alex Koslowski (appointed 1 January 2017; resigned 31 December 2017)		(I) <i>Independent trustee</i>	(P) <i>Pensioner member</i>
<b>Employer nominated</b>	<b>Member nominated</b>												
John Feely (Chairman) (I)	Jim Potter (P)												
Jon Glen	Michael Murphy (P)												
Viviana Pascoletti (appointed 1 January 2018)													
Alex Koslowski (appointed 1 January 2017; resigned 31 December 2017)													
(I) <i>Independent trustee</i>	(P) <i>Pensioner member</i>												
<b>Scheme actuary</b>	D Hunter of Willis Towers Watson (Ireland) Limited												
<b>Registered Administrators</b>	The Royal London Mutual Insurance Society Limited												
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP												
<b>Legal advisers</b>	Matheson DLA Piper A B Wolfe CMS Cameron McKenna LLP (appointed 8 December 2017)												
<b>Investment consultant</b>	Mercer Limited												
<b>Property surveyor</b>	CB Richard Ellis Limited												
<b>Investment managers</b>	Royal London Asset Management Limited Legal & General Assurance (Pensions Management) Limited Standard Life Investments Limited BlackRock Alternative Advisors												
<b>Investment custodian</b>	HSBC bank plc (HSBC Securities Services)												
<b>Additional Voluntary Contribution (AVC) provider</b>	Irish Life Assurance plc												
<b>Bankers</b>	Allied Irish Bank												
<b>Contact for enquiries</b>	Provided on further information page 36												

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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## **Trustee's report**

### **Introduction**

The Trustee Directors of the R. L. Pensions Trustees (R.O.I.) Company Limited by Guarantee ("the Trustee") present their annual report and financial statements of the Royal Liver Assurance Limited Superannuation Fund (ROI) ('the Scheme') for the year ended 31 December 2017.

### **Scheme constitution and management**

The Scheme is an occupational defined benefit pension scheme set up to provide retirement benefits for its members and is regulated under the Pensions Act 1990. The Scheme is a distinct legal entity separate in every respect from the Principal Employer, Royal Liver Trustee Services Ireland Limited.

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. 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.

There were no changes during the year to the Scheme information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 (as amended). The content of the report conforms to the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

The Scheme is registered with The Pensions Authority under registration number PB153418.

### **Trustee**

The Scheme is governed by a definitive Trust Deed and Rules which members are entitled to inspect or on payment of a small charge receive a copy of the documents.

The Scheme is overseen by a Corporate Trustee whose Trustee Directors are responsible for setting the strategy and for managing the Scheme. The Trustee Directors are required to act in accordance with the Trust Deed and Rules of the Scheme and the Constitution of the Trustee within the framework of pension and trust law. The persons who acted as Trustee Directors during the year are listed on page 1.

The Trustee Directors are appointed and removed in accordance with the Trust Deed and the Articles of association of the Corporate Trustee. The Member Nominated Trustee Director arrangements are determined by the Trustee. The Trustee ordinarily has five Trustee Directors, three of whom are nominated by the Principal Employer and two by Scheme members.

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.

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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### **Trustee's report (continued)**

The stewardship of the Scheme assets is in the hands of the Trustee.

Under the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006, the Trustee Directors are required to disclose the risks to members and the Statement of risks required under Schedule M of the Occupational Pensions Schemes (Disclosure of Information) Regulations, 2006 (as amended) is included on page 35.

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 as required by 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 Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee has written agreements with each of them.

The day-to-day administration of the Scheme is carried out by the Scheme Administrator, the Staff Pensions department of The Royal London Mutual Insurance Society Limited.

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.

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 36. 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 (IDRP), by submitting a formal application in writing to the Scheme Secretary at the contact address provided in the 'Further information' on page 36. The IDRP is included at the end of this annual report and financial statements on page 47.

### **Review of financial development of the Scheme**

The financial statements included in this annual report are the financial statements required by the Pensions Act 1990. They have been prepared and audited in compliance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended). The financial statements are prepared in accordance with the Financial Reporting Standard (FRS) 102 and the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pensions Schemes (Revised November 2014).

The financial statements are set out on pages 15 to 33.

The value of the Scheme's net assets decreased from €276.0 million at the start of the year to €270.4 million at the year end. The decrease was accounted for largely by €3.8 million net returns from investments offset by €9.4 million net withdrawals from dealings with members.

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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## **Trustee's report (continued)**

### **Contributions**

There were no contributions payable to the Scheme during the year as the Scheme is closed to future benefits accrual. This is in accordance with the rules of the Scheme and the recommendations of the Actuary.

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.

### **Pension increases**

The Trust Deed and Rules makes provision for increases in pensions in payment and deferred pensions. The increases applied depend on when the benefits were accrued. The table below summarises the most recent increases applied to pensions in payment. None of the increases was discretionary.

<b>Pensions in payment</b>	<b>2017</b>	<b>2016</b>	<b>Effective increase date</b>
Accrued before 6 April 1997	-	-	1 April
Accrued between 6 April 1997 and 1 January 2004	1.0%	-	1 April
Accrued after 1 January 2004	-	-	1 April

Pensions in payment accrued before 6 April 1997 and after 1 January 2004 are increased at the discretion of the Trustee subject to the agreement of the Principal Employer.

Pension increases for pensions in payment accrued between 6 April 1997 and 1 January 2004 are subject to a Transfer Agreement which linked increases to the UK Prices Index used for UK statutory pension increases subject to a maximum of 5.0%. In 2017 pension increases were applied at 1.0% based on the UK Consumer Prices Index (CPI) as at 30 September 2016.

There were no pensions or pension increases being paid by or at the request of the Trustee for which the Scheme would not have a liability in the event of its winding up.

Deferred pensions were revalued on 1 January 2017 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 Information Note on Occupational Pension Schemes Revaluation Rate 2017 was 0.0% per annum. As such no revaluation was applied to the deferred pensions in 2017.

Details of members' benefits are provided in the explanatory booklet which is distributed to all members and individual details appear on each member's benefit statement.

## Royal Liver Assurance Limited Superannuation Fund (ROI)

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## Trustee's report (continued)

### Membership

Members of the Scheme are former eligible employees of Royal Liver Trustee Services Ireland Limited 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 change in membership during the year is as follows:

	Deferred members	Pensioner members	Beneficiaries	Total
At 1 January 2017	509	601	170	1,280
Adjustments to prior year figures	-	1	1	2
At 1 January 2017 revised	509	602	171	1,282
Members retiring	(19)	19	-	-
Members leaving prior to pension age	(4)	-	-	(4)
Deaths	-	(5)	(6)	(11)
New spouse and dependant pensions	-	-	1	1
At 31 December 2017	486	616	166	1,268

An adjustment was made to the prior year figure to reflect an accurate position of the membership of the Scheme as at 1 January 2017 which resulted from late notifications.

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

### Report on Actuarial liabilities

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

The Pension Act 1990 requires a scheme to perform an actuarial valuation at an interval of not more than 3 years. The valuation is required to be prepared in accordance with section 56 of the Act.

A full actuarial valuation of the Scheme was carried out as at 31 December 2015. The results of this valuation and the most recent funding update as at 31 December 2017 are provided below.

Valuation date: 31 December	Update 2017 €'000	Valuation 2015 €'000
Value of liabilities	225,500	228,500
Value of assets available to meet liabilities	268,900	259,500
Surplus	43,400	31,000
Funding level as a percentage of liabilities	119%	114%

## **Royal Liver Assurance Limited Superannuation Fund (ROL)**

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## **Trustee's report (continued)**

### **Report on Actuarial liabilities (continued)**

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

A minimum funding test which reflects the position if the Scheme is discontinued is set out in section 44 of the Pensions Act 1990. This test is confirmed by a scheme actuary through an Actuarial Funding Certificate (AFC).

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. This requirement is confirmed by a scheme actuary through a Funding Standard Reserve Certificate (FSRC).

The Scheme Actuary confirmed that as at 31 December 2015 (the effective date) both the AFC and FSRC satisfied the requirements under sections 44(1) and (2) of the Pensions Act 1990 respectively and they were submitted to the Pensions Authority. Copies of both certificates are on pages 44 and 45 respectively.

The value of liabilities (technical provisions) is based on pensionable service to the date of closure to future accrual (1 July 2011) and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns, when members will retire and how long members will live. The method and significant assumptions used in the valuation as at 31 December 2015 are as follows:

#### **Method**

The actuarial method used in the calculation of the liabilities is the Projected Unit Method in accordance with Actuarial Standard of Practice ASP PEN-1 "Funding Defined Benefits – Actuarial Reports" issued by the Society of Actuaries in the Republic of Ireland.

#### **Significant actuarial assumptions**

- **Investment return:** nominal swap curve plus additional return starting at 1.06% reducing uniformly to 0.4 by 2030 for both pensioners and non-pensioners.
- **Price inflation:** derived from nominal and real swap curves.
- **Pension increases** on pensions accrued between 6 April 1997 and 31 December 2003: derived from nominal and real swap curves (UK).
- **Mortality:** for the period in post-retirement standard mortality tables with a factor of 86% for male and 98% for female per annum with an increase to annuity value of 1.33% per annum between 2008 and the members NRA.

#### **Next actuarial valuation**

The next actuarial valuation will be performed as at 31 December 2018.



## Royal Liver Assurance Limited Superannuation Fund (ROL)

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### Trustee's report (continued)

#### Investment management

##### Investment principles and strategy

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

The Trustee maintains a Statement of Investment Policy Principles (SIPP) as required by section 35 of the Pensions Act 1995. The statement also meets the requirements of the Occupational Pension Schemes (Investment) Regulations 2006.

A copy of the SIPP is included on page 37.

The Trustee's investment strategy considers the Scheme's investments in the following categories:

- **Matching assets:** these are predominantly bonds, Liability Driven Investments (LDI) funds and swaps which have the objective of securing fixed or inflation-adjusted future cash flows and the investments are generally expected to be held to maturity.
- **Growth assets:** these are predominantly equities, diversified growth funds and properties which have the objective of seeking a return within the constraints of the risk profile set by the Trustee.

The Scheme's investment types managed by each of the investment managers and their proportions are shown below:

Fund manager	Asset class	Actual holding %	Central benchmark allocation %	Control ranges %
Royal London Asset Management	Corporate bonds	40	40	35 – 50
Royal London Asset Management	Liability Driven Investments (LDI)	41	45	40 – 50
Royal London Asset Management	Cash	-	-	0 – 5
	<b>Matching assets</b>	<b>81</b>	<b>85</b>	80 – 90
Legal & General Investment Management Limited	World Equity	13	10	5 – 15
Royal London Asset Management	Property	-	-	0 – 5
Standard Life Investments Limited	Diversified Growth Fund	6	5	0 – 10
BlackRock Alternative Advisors	Fund of Hedge Fund	-	-	0 – 1
	<b>Growth assets</b>	<b>19</b>	<b>15</b>	10 – 20
	<b>Total</b>	<b>100</b>	<b>100</b>	

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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## **Trustee's report (continued)**

### **Investment principles and strategy (continued)**

The table on page 7 represents the allocation of assets held by each investment manager of the Scheme as at 31 December 2017 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 each investment manager.

The control ranges in the table show the maximum variation from the central position for each asset class as well as the total for matching and growth assets categories 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.

More details of the Scheme's investments are given in note 11 to the financial statements.

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

The 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.

More details on investment risks are given in note 19 to the financial statements.

### **Management and custodial arrangements**

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

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

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

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

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

## Royal Liver Assurance Limited Superannuation Fund (ROI)

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### Trustee's report (continued)

#### Management and custodial arrangements (continued)

##### 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 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.

##### Review of investment performance

The Trustee assesses the performance of the Scheme's investments by reference to the asset categories consistent with the overall strategy as follows.

An analysis of the Scheme's investment performance measured against the benchmarks as at 31 December 2017 is provided below.

- **Matching assets** which mainly comprise of a combination of LDI and Credit portfolios are compared with the relevant benchmarks although the Trustee's main focus is on securing cash flows as such growth in these assets, which is normally linked to growth in liabilities and vice versa, is less relevant.
- **Growth assets** are mainly comprised of World Equity Index and Global Absolute Return Strategies funds are assessed by reference to the relevant benchmarks with set performance targets for each investment manager.

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

Annualised return over	1 year	3 years
<b>LDI and Credit portfolio</b>	<b>(0.4%)</b>	<b>3.1%</b>
<i>Benchmark</i>	<i>(1.0%)</i>	<i>2.6%</i>
<b>World Equity Index fund</b>	<b>17.6%</b>	<b>9.1%</b>
<i>Benchmark</i>	<i>17.4%</i>	<i>9.0%</i>
<b>Global Absolute Return Strategies fund</b>	<b>2.2%</b>	<b>0.9%</b>
<i>Benchmark</i>	<i>(0.3%)</i>	<i>(0.1%)</i>
<b>Total Scheme</b>	<b>1.6%</b>	<b>3.7%</b>
<i>Benchmark</i>	<i>1.5%</i>	<i>3.5%</i>

The Scheme return was prepared by HSBC Bank plc (HSBC Securities Services).

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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### **Trustee's report (continued)**

#### **Review of investment performance (continued)**

The main factors that impacted performance of major asset categories over the benchmarks measured against were as follows:

- The combined LDI and Credit portfolio had a negative return but outperformed against the liability cash flow as yields for Eurozone sovereign and credit bonds decreased.
- The World Equity Index fund's positive return outperformed its benchmark following progress in economic growth in the UK, US and emerging markets.
- The Global Absolute Return Strategies fund delivered a positive return and outperformed against its cash benchmark following strong global performance in bond and equity markets.

#### **Employer related investments**

Details of employer related investments are given in note 21 to the financial statements.

#### **Related party transactions**

Details of related party transactions are given in note 24 to the financial statements.

### **Statement of Trustee's responsibilities**

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

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 (as amended), including a statement as to whether the financial statements have been prepared in accordance with the Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2014) (SORP).

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.

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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### **Trustee's report (continued)**

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

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 (as amended). 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.

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

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.

#### **Subsequent events**

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

#### **Further information**

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

Any enquiries about the Scheme can be made by contacting the Staff Pensions Team at the address provided in the 'Further information' on page 36. A copy of this annual report and financial statements is available on the Royal London Group website.

#### **Approval**

The Trustee's report on pages 2 to 11 was approved by the Trustee Directors on 21 June 2018.

**Signed for and on behalf of R. L. Pensions Trustees (R.O.I) Company Limited by Guarantee by:**

Trustee Director



Trustee Director



## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Royal Liver Assurance Limited Superannuation Fund (ROI) financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2017 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 properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of net assets available for benefits as at 31 December 2017;
- the fund account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

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

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

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

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

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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

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

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

##### **Responsibilities for the financial statements and the audit**

###### *Responsibilities of the Trustee for the financial statements*

As explained more fully in the Statement of Trustee's set out on pages 10 and 11, the Trustee is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Trustee is also responsible for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is also responsible for ensuring that contributions are made to the Fund in accordance with the Fund's rules and the recommendation of the actuary.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Fund or has no realistic alternative but to do so.

###### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditors' report.

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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

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

*Use of this report*

This report, including the opinions, has been prepared for and only for the Trustee as a body in accordance with section 56 of the Pensions Act 1990, as amended 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.

**Other required reporting**

**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 Fund;
- the contributions payable to Fund during the year ended 31 December 2017 have been received by the Trustee within thirty days of the end of the Fund year; and
- such contributions have been paid in accordance with the rules of the Fund and the recommendations of the actuary.

*PricewaterhouseCoopers LLP*

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

**21 June 2018**



# Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

## Fund account

	<i>Note</i>	<b>2017 €'000</b>	<b>2016 €'000</b>
<b>Contributions and other income</b>			
Other income	4	-	64
<b>Benefits and other payments</b>			
Benefits	5	8,450	8,655
Transfers to other schemes	6	505	242
Administrative expenses	7	432	445
		<b>9,387</b>	<b>9,342</b>
<b>Net withdrawals from dealings with members</b>		<b>(9,387)</b>	<b>(9,278)</b>
<b>Returns on investments</b>			
Investment income	8	5,546	6,030
Change in market value of investments	11	(1,251)	19,224
Investment management expenses	9	(488)	(544)
<b>Net returns on investments</b>		<b>3,807</b>	<b>24,710</b>
<b>Net (decrease)/increase in the Scheme</b>		<b>(5,580)</b>	<b>15,432</b>
Opening net assets		<b>275,962</b>	<b>260,530</b>
<b>Closing net assets</b>		<b>270,382</b>	<b>275,962</b>

The notes to the financial statements on pages 17 to 33 form part of these financial statements.

# Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

## Statement of net assets available for benefits as at 31 December 2017

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>€'000</b>	<b>€'000</b>
<b>Investment assets</b>			
Bonds	11	205,853	222,376
Derivatives	12	3,173	2,809
Pooled investment vehicles	14	50,320	44,759
Cash	15	10,840	4,895
Other investment balances	16	4,163	3,712
AVC investments	17	494	698
		<b>274,843</b>	<b>279,249</b>
<b>Investment liabilities</b>			
Derivatives	12	(2,257)	(4,086)
Other investment balances	16	(2,795)	(2,109)
		<b>(5,052)</b>	<b>(6,195)</b>
<b>Total net investments</b>		<b>269,791</b>	<b>273,054</b>
<b>Current assets</b>	22	<b>1,030</b>	<b>4,012</b>
<b>Current liabilities</b>	23	<b>(439)</b>	<b>(1,104)</b>
<b>Net assets available for benefits as at 31 December 2017</b>		<b>270,382</b>	<b>275,962</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits which are expected to fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on Report on Actuarial liabilities within the Trustee's report on pages 5 and 6 and in the Actuarial statement, Actuarial funding certificate and Funding standard reserve certificate on pages 43 to 46, and these financial statements should be read in conjunction with them.

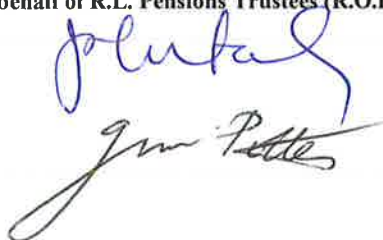
The notes to the financial statements on pages 17 to 33 form part of these financial statements.

These financial statements on pages 15 to 33 were approved by the Trustee Directors on 21 June 2018.

Signed for and on behalf of R.L. Pensions Trustees (R.O.I) Company Limited by Guarantee by:

Trustee Director

Trustee Director



## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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### **Notes to the financial statements**

#### **1. General information**

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

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

The Trustee's registered office address is at Royal London House, 47-49 St. Stephen's Green, Dublin 2, Ireland.

The Scheme is 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 are generally exempt from taxation.

#### **2. Basis of preparation**

The financial statements of the Royal Liver Assurance Limited Superannuation Fund (ROI) have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), the Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

#### **3. Summary of significant accounting policies**

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

##### **(a). Currency**

The functional currency and presentation currency of the Scheme is the EURO (€).

##### **(b). Foreign currency conversion**

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

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

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

### **Annual Report and Financial Statements**

for the year ended 31 December 2017

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#### **Notes to the financial statements (continued)**

##### **(c). Benefit payments**

Where a member can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or if there is no member choice, on the date of retirement or leaving.

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

##### **(d). Transfers to other schemes**

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

##### **(e). Transfers in from other schemes**

Transfers in values represent members' AVC benefits received during the year from a DC plan previously connected with the Scheme for members who have elected to take a pension from the Scheme. The values are accounted for upon liability being accepted by the Scheme.

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

Administrative expenses are accounted for on an accruals basis by reference to the period to which they relate. Pension levy is accounted for in the period the levy is payable.

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

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

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. The change in market value also includes realised profits and losses on closed derivative contracts and unrealised profits and losses on open derivative contracts. Income generated by pooled investment vehicles is not distributed but is retained within pooled funds and is reflected in the market value of the units.

Receipts or payments under swap contracts representing the difference between the swapped cash flows are included in investment income.

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

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

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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### **Notes to the financial statements (continued)**

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

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

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

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

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

#### **(i). Other investment arrangements**

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

Collateral securities received in respect of derivative contracts is disclosed but not recognised as a Scheme asset. Cash received as collateral in respect of derivative contracts is recognised as an investment asset with a corresponding liability recognised as investments payable.

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

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Notes to the financial statements (continued)****4. Other income**

	2017 €'000	2016 €'000
Transfers in (AVC)	-	64

The AVC transfer in for the prior year was in respect of members transferring to the Scheme their AVC benefits from the Royal London Ireland Pension Plan formerly known as RL Caledonian Life Pension Plan, a defined contribution scheme, as a self-annuitisation transfer.

**5. Benefits**

	2017 €'000	2016 €'000
Pensions	7,950	7,970
Commutations and retirement lump sums	500	668
Lump sum on death		17
	<u>8,450</u>	<u>8,655</u>

**6. Transfers to other schemes**

	2017 €'000	2016 €'000
Individual transfers out to other schemes	505	242

**7. Administrative expenses**

	2017 €'000	2016 €'000
Administration fees	193	155
Actuarial fees	106	139
Legal fees	43	46
Audit fees	5	23
Trusteeship fees	34	30
VAT and other expenses	51	52
	<u>432</u>	<u>445</u>

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

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

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Notes to the financial statements (continued)****8. Investment income**

	2017 €'000	2016 €'000
Income from bonds	5,426	5,593
Net receipts from swaps	120	219
Net rents from properties	-	218
	<u>5,546</u>	<u>6,030</u>

**9. Investment management expenses**

	2017 €'000	2016 €'000
Administration and management	327	398
Custodian charges	31	31
Investment advisory	92	103
Investment performance	7	12
Bank charges	31	-
	<u>488</u>	<u>544</u>

**10. Investment transaction costs**

Transaction costs relating to purchases of investments are added to the cost of investments and those relating to sales of investments are netted against proceeds of investments. These costs include fees, commissions, stamp duty and other fees. Direct transaction costs incurred during the year were nil (2016: €2,964).

In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles and charges within those vehicles. It has not been possible for the Scheme to quantify such indirect transaction costs.

# Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

## Notes to the financial statements (continued)

### 11. Reconciliation of net investments

	Value as at 1 January 2017 €'000	Purchases at cost and derivative payments €'000	Sale proceeds and derivative receipts €'000	Change in market value €'000	Value as at 31 December 2017 €'000
Bonds	222,376	80,325	(90,583)	(6,265)	<b>205,853</b>
Derivatives – swaps	(1,270)	116,852	(114,032)	(641)	<b>909</b>
Pooled investment vehicles	44,759	-	(12)	5,573	<b>50,320</b>
AVC investments	698	-	(204)	-	<b>494</b>
	<u>266,563</u>	<u>197,177</u>	<u>(204,831)</u>	<u>(1,333)</u>	<u><b>257,576</b></u>
Cash and cash equivalents	4,895			(6)	<b>10,840</b>
Derivatives – forward foreign currency contracts	(7)			88	<b>7</b>
Other investment balances	1,603				<b>1,368</b>
	<u>6,491</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u><b>12,215</b></u>
<b>Total net investments</b>	<u>273,054</u>			<u>(1,251)</u>	<u><b>269,791</b></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, foreign exchange and closed derivative contracts during the year.

### 12. Derivatives

Over the counter contracts	2017			2016		
	Assets €'000	Liabilities €'000	Total €'000	Assets €'000	Liabilities €'000	Total €'000
Swaps	3,166	(2,257)	909	2,809	(4,079)	(1,270)
Forward foreign currency contracts	7	-	7	-	(7)	(7)
	<u>3,173</u>	<u>(2,257)</u>	<u>916</u>	<u>2,809</u>	<u>(4,086)</u>	<u>(1,277)</u>



## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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### **Notes to the financial statements (continued)**

#### **12. Derivatives (continued)**

##### **Objectives and policies for holding derivatives**

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

The Trustee authorised the use of derivatives for hedging purposes and to enhance the efficient management of the investment portfolios where they provide the opportunities to achieve the overall portfolio objective more efficiently than would be the case through direct dealing in the underlying securities.

For example, derivatives may be used to hedge the portfolio against adverse market movements, to manage cash flows into or out of the portfolio, to cover out of market exposure or to swap exposure between asset classes or sectors in an efficient manner.

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

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

##### **Swaps**

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

##### **(a). 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.

##### **(b). 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.

##### **(c). 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.

# Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

## Notes to the financial statements (continued)

### 12. Derivatives (continued)

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

Nature of Swap	Expires within	No of contracts	Notional principal €'000	Assets €'000	Liabilities €'000	2017 Net €'000
<b>Total return swaps</b>						
Pay fixed interest for total return (Govt bonds)	1 year	2	18,500	-	(442)	(442)
<b>Interest rate swaps</b>						
Pay fixed interest for variable (EURIB)	1 - 5 years	3	31,800	-	(762)	(762)
Pay fixed interest for variable (EURIB)	5 - 10 years	5	26,200	193	(620)	(427)
Pay variable interest (EURIB) for fixed	10 - 20 years	1	1,300	-	(69)	(69)
Pay variable interest (EURIB) for fixed	Over 20 years	3	4,070	42	(364)	(322)
				235	(1,815)	(1,580)
<b>Inflation swaps</b>						
Pay fixed interest for variable (CPI)	1 - 5 years	1	32,000	966	-	966
Pay fixed interest for variable (CPI)	5 - 10 years	1	16,600	869	-	869
Pay fixed interest for variable (CPI)	10 - 20 years	2	12,900	870	-	870
Pay fixed interest for variable (CPI)	Over 20 years	2	2,050	226	-	226
				2,931	-	2,931
				3,166	(2,257)	909

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Notes to the financial statements (continued)****12. Derivatives (continued)****Forward foreign currency contracts**

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

Outstanding forward foreign currency contracts at the year-end are detailed as follows:

Settlement date	Number of contracts	Currency bought	Currency Sold	Contract /notional amount €'000	Assets €'000	Liabilities €'000	2017 Net €'000
Within							
2 Month	1	EUR	GBP	1,224	7	-	7

The contract or nominal amount represents the Euro value of the foreign currency amount of the contract translated at the year-end spot rate.

**Notional principal**

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

**13. 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 2017 was €0.9 million (2016: €1.1 million). The cash collateral is included within cash with an offset liability included within the investment liabilities.

The Scheme paid cash collateral amounting to €0.5 million as at 31 December 2017 (2016: €nil) to counter parties in respect of derivatives undertaken which required cash collateral to be paid. Cash collateral paid is not included in cash but a debtor is recognised within the other investment balances.

The Scheme pays interest on any cash collateral held and receives interest on any cash collateral provided.

The Scheme undertakes derivatives which require 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 2017 of €nil (2016: €3.0 million) and is included in the investment assets.

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Notes to the financial statements (continued)****14. Pooled investment vehicles**

	2017 €'000	2016 €'000
<b>Category</b>		
Equity	35,514	30,215
Diversified growth	14,806	14,531
Fund of hedge fund	-	13
	<u>50,320</u>	<u>44,759</u>

During the year the Scheme fully liquidated all the underlying assets held in the Fund of hedge fund which consisted of United States Dollar denominated liquidating shares in an investment company registered in the Cayman Islands managed by a company registered in the United States.

**15. Cash**

	2017 €'000	2016 €'000
Cash held by investment managers	10,840	4,895

**16. Other investment balances**

	2017 €'000	2016 €'000
Accrued interest receivable	3,701	3,696
Investment income receivable	12	-
Cash collateral receivable	450	-
Trade settlements due from brokers	-	16
	<u>4,163</u>	<u>3,712</u>
Accrued interest payable	(1,852)	(996)
Collateral payable	(920)	(1,100)
Tax payable	(22)	(12)
Trade settlements due to brokers	(1)	(1)
	<u>(2,795)</u>	<u>(2,109)</u>
	<u>1,368</u>	<u>1,603</u>

## Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

### Notes to the financial statements (continued)

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

The Trustee holds assets invested separately from the main fund in the form of insurance policies, which secure additional benefits on a money purchase basis for those members 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:

	2017 €'000	2016 €'000
AVC investments	494	698

#### 18. Fair value of investments

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

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

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

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2017 (2016: none).

# Royal Liver Assurance Limited Superannuation Fund (ROI)

## Annual Report and Financial Statements

for the year ended 31 December 2017

### Notes to the financial statements (continued)

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

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

Asset category	Hierarchy level			2017
	1	2	3	Total
	€'000	€'000	€'000	€'000
<b>Investment assets</b>				
Bonds	-	205,853	-	205,853
Derivatives	-	3,173	-	3,173
Pooled investment vehicles	-	35,514	14,806	50,320
AVC investments	-	-	494	494
Cash	10,840	-	-	10,840
Other investment balances	4,163	-	-	4,163
	<u>15,003</u>	<u>244,540</u>	<u>15,300</u>	<u>274,843</u>
<b>Investment liabilities</b>				
Derivatives	-	(2,257)	-	(2,257)
Other investment balances	(2,795)	-	-	(2,795)
	<u>(2,795)</u>	<u>(2,257)</u>	<u>-</u>	<u>(5,052)</u>
<b>Total investments</b>	<u>12,208</u>	<u>242,283</u>	<u>15,300</u>	<u>269,791</u>

The other investment balances are primarily comprised of interest accrual and other receivables or payables which are due within a year. The value of the balances is estimated by the Trustee as advised by the fund manager. The Trustee has reviewed and considered the appropriate level for these balances to be in level 1. The 2016 comparative balances have not been reclassified.

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

Asset category	Hierarchy level			2016
	1	2	3	Total
	€'000	€'000	€'000	€'000
<b>Investment assets</b>				
Bonds	-	222,376	-	222,376
Derivatives	-	2,809	-	2,809
Pooled investment vehicles	-	30,215	14,544	44,759
AVC investments	-	-	698	698
Cash	4,895	-	-	4,895
Other investment balances	-	3,696	16	3,712
	<u>4,895</u>	<u>259,096</u>	<u>15,258</u>	<u>279,249</u>
<b>Investment liabilities</b>				
Derivatives	-	(4,086)	-	(4,086)
Other investment balances	(1,100)	(996)	(13)	(2,109)
	<u>(1,100)</u>	<u>(5,082)</u>	<u>(13)</u>	<u>(6,195)</u>
<b>Total investments</b>	<u>3,795</u>	<u>254,014</u>	<u>15,245</u>	<u>273,054</u>

## Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

for the year ended 31 December 2017

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### Notes to the financial statements (continued)

#### 19. Investment risks

##### Types of risk relating to investments

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

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

##### Investment strategy

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

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long term liabilities and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Policy Principles ("SIPP").

The current strategy is to hold:

- 15% in growth assets comprising global equities, investment property, a multi-asset fund and a small residual hedge fund allocation.
- 85% in matching assets that move closely in line with the long term liabilities of the Scheme. This is referred to as LDI and comprises EU government bonds, Euro corporate bonds and interest rate swaps, the purpose of which is to hedge against the impact of interest rate movement on long term liabilities.

## Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

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### Notes to the financial statements (continued)

#### 19. Investment risk (continued)

##### Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, over-the-counter (“OTC”) derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated investment grade with an average credit rating of A for the portfolio, however, up to 10% of the corporate bond portfolio may be invested in below investment grade credit. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor’s or Fitch, or rated at Baa3 or higher by Moody’s.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements as explained in note 13.

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts and authorised unit trusts.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

##### Currency risk

The Scheme is subject to currency risk because some of the Scheme’s investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trustee has set a benchmark limit to overseas currency exposure of 15% of the total portfolio value. The net currency exposure at the current and previous year-ends was less than 10%.

##### Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme’s investments are held in bonds and interest rate swaps (either as segregated investments or through pooled vehicles), and cash. The Trustee has set a benchmark for total investment in bonds and interest rate swaps of 85% of the total investment portfolio, as part of its LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year-end the LDI portfolio represented 81% of the total investment portfolio (2016: 84%).



## Royal Liver Assurance Limited Superannuation Fund (ROI)

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for the year ended 31 December 2017

### Notes to the financial statements (continued)

#### 19. Investment risk (continued)

##### Other price risk

Other price risk arises principally in relation to the Scheme's growth assets portfolio which may include directly held equities, equities held in pooled vehicles, equity futures, hedge funds, private equity and investment properties. The Scheme has set a target asset allocation of 15% of investments being held in growth assets. At the year-end the growth assets portfolio represented 19% of the total investment portfolio (2016: 16%).

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

#### 20. Concentration of investments

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

	2017		2016	
	€'000	%	€'000	%
Legal and General GPAR World Equity (NET WHT) <sup>1</sup>	35,091	13.0	30,215	10.9
Standard Life Global Absolute Return <sup>2</sup>	14,717	5.4	14,531	5.3
Federal Republic of Germany 2.5% BDS 04/07/2044	15,196	5.6	16,280	5.9
Federal Republic of Germany 4.75% BDS 4/7/2034	16,150	6.0	17,066	6.2
Federal Republic of Germany 6.25% BDS 4/1/2030	15,379	5.7	18,292	6.6
Government of France 4% STRIP PRNC 25/04/2060	15,208	5.6	18,535	6.7

<sup>1</sup> This investment is a pooled investment vehicle which has world equities as the underlying assets none of which exceeds 5% of the net assets of the Scheme.

<sup>2</sup> This investment is a pooled investment vehicle which has multiple underlying assets none of which exceeds 5% of the net assets of the Scheme.

#### 21. Employer related investments

There are no employer related investments held by the Scheme during the year (2016: None).

#### 22. Current assets

	2017	2016
	€'000	€'000
Cash balances	371	3,353
Benefits paid in advance	555	558
Other debtors	104	101
	<u>1,030</u>	<u>4,012</u>

Benefits paid in advance are pensioner benefits for January 2018 paid on 29 December 2017 in advance of the due date, 1 January 2018, due to the date falling on a bank holiday.

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

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**Notes to the financial statements (continued)****23. Current liabilities**

	2017 €'000	2016 €'000
Amounts due to employer	71	82
Tax payable	104	96
Accrued expenses	222	854
Other creditors	42	72
	<u>439</u>	<u>1,104</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 which are recharged by the employer to the Scheme.

**24. Related party transactions****(a). Transactions with key management personnel****Trustee Directors**

During the year:

- Two Trustee Directors (2016: two) were in receipt of a pension from the Scheme.
- One Trustee Director (2016: one) was paid a subsistence allowance and travelling expenses for attendance at Trustee Meetings in 2017 amounting to €699 (2016: €777) and is included in note 7.
- One Trustee Director (2016: one) was paid fees amounting to €28,290 (2016: €28,290) in respect of their Trustee services. Fees amounting to €nil (2016: €14,145) were payable by the Scheme as at year-end. These amounts are included in notes 7 and 23 respectively.
- No other Trustee Director received remuneration in connection with the management of the Scheme.

**(b). Transactions with other related parties****1. 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 €171,358 (2016: €152,610) of which €46,018 (2016: €91,459) was payable as at the year end. These amounts are included in notes 7 and 23 respectively.

**2. The Investment Managers**

Details of the basis of the Investment Managers' fees are set out in the Investment Management Agreements (IMA). The Investment Managers' fees are borne directly by the Scheme and the amounts are included in note 10.

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, cash deposits 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 €280,830 (2016: €321,916) and are included in notes 9. Fees amounting to €51,285 (2016: €108,238) were payable by the Scheme as at year-end and are included in note 23.

**Royal Liver Assurance Limited Superannuation Fund (ROL)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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**Notes to the financial statements (continued)**

**24. Related party transactions (continued)**

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

**25. Contingent liabilities and contractual commitments**

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 December 2017 (2016: nil).

As at 31 December 2017 the Scheme had contractual commitments in the form of stock collateral arrangements which are disclosed in note 13.

**26. Subsequent events**

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

## **Royal Liver Assurance Limited Superannuation Fund (ROL)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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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**

There was no revaluation applied to the deferred pensions in 2017 in accordance with the revaluation procedures of the Pensions Act 1990.

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 advisers**

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 (ROL)**

### **Annual Report and Financial Statements**

for the year ended 31 December 2017

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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 of the Scheme is carried out 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.

### 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. Details of the internal dispute resolution procedure can be obtained by writing to the contact below. The procedure is included at the end of this annual report and financial statements on page 47.

#### 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](mailto:RLStaffpensions@royallondon.com)

Phone: 44(0)1625 604960

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

c/o Staff Pensions Trustee Secretarial

Royal London House

Alderley Road

Wilmslow

SK9 1PF

Email: [RLStaffpensions@royallondon.com](mailto:RLStaffpensions@royallondon.com)

Phone: 44(0)1625 605 385

## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

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### **Statement of Investment Policy Principles - November 2016**

#### **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) Company Limited by Guarantee (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").

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.

## Royal Liver Assurance Limited Superannuation Fund (ROI)

Annual Report and Financial Statements

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### Statement of Investment Policy Principles – November 2016 (continued)

#### 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 fluctuating in value due to currency movements. To help protect against this risk the Fund's overseas equity exposure is now fully 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.
- 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 recognises that a portion of the liabilities is linked to Irish inflation and has taken steps to partially hedge this exposure using Eurozone inflation (EUR HICP) hedging instruments. While this hedge will not provide a perfect match due to the difference between Irish and Eurozone inflation, it will help mitigate part of the inflation risk for the Fund.
- 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 Trustees implemented a 75% inflation hedge using EURO HICP to help partially (and imperfectly) hedge Irish inflation risk within the Fund.
- 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.



## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

### **Annual Report and Financial Statements**

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#### **Statement of Investment Policy Principles – November 2016 (continued)**

- 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 outgoings. The Trustee's policy is that there should be sufficient investments in liquid or easily realisable assets to meet unexpected cash-flow 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

#### **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.

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

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**Statement of Investment Policy Principles – November 2016 (continued)**

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:

<b>Asset Class</b>	<b>Central Benchmark Allocation (%)</b>	<b>Control Ranges (%)</b>	<b>Benchmark</b>
Global Equities (hedged)	10	5–15	FTSE All World Index EUR Hedged
Diversified Growth Fund	5	0–10	6 month LIBOR
Property	0	0–5	
Fund of hedge funds	0	0–1	
Return Seeking Assets	15	10–20	
Corporate Bonds	40	35–50	Merrill Lynch Non- Sovereign Index (EXOO)
Liability Driven Investments	45	40–50	Bespoke LDI Benchmark
Cash	0	0–5	
Liability Matching Assets	85	80–90	
<b>Total</b>	<b>100</b>		

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 – November 2016 (continued)

#### 7. Manager Structure and Performance Objectives

Investment Manager	Fund/Mandate	Benchmark	Performance Objective
Legal & General Investment Management Limited ("L&G")	Passive Global Equities (100% hedged)	FTSE All-World Index 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 and Irish inflation 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 (EXOO)	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. 4.0% - 8.0% 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. 0.9% 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 – November 2016 (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: 29 November 2016**

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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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 2017, 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) of the Act, if I were required to issue an Actuarial Funding Certificate under Section 42 of the Act with an effective date of 31 December 2017.

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 2017, 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 guidance by the Society of Actuaries in Ireland.



**Derek Hunter**

**Fellow of the Society of Actuaries in Ireland**

**28 March 2018**

*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)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Actuarial statement and funding certificates (continued)**

**Actuarial funding certificate**



An tOdaras Pinsean  
The Pensions Authority

SCHEDULE BD

Article 4

**ACTUARIAL FUNDING CERTIFICATE**

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

SCHEME NAME:	Royal Liver Assurance Ltd Superannuation Fund (ROI)
SCHEME COMMENCEMENT DATE	31/12/2003
SCHEME REFERENCE NO	PB153418
EFFECTIVE DATE	31/12/2015
EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY)	31/12/2012

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 €260,530,000.00, 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 €218,932,000.00, and
- (2) €0.00 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 Authority 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:

31/08/2016

Name:

Mr Derek Hunter

Qualification:

Fellow of Society of Actuaries in Ireland (FSAI)

Name of  
Actuary's:  
Employer/Fir  
m

Watson Wyatt Partners

Scheme Actuary  
Certificate No. P032

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

**Actuarial statement and funding certificates (continued)**

**Funding standard reserve certificate**



An tOdaras Pinsean  
The Pensions Authority

SCHEDULE BE

Article 4

**FUNDING STANDARD RESERVE CERTIFICATE**

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

SCHEME NAME:	Royal Liver Assurance Ltd Superannuation Fund (ROI)
SCHEME COMMENCEMENT DATE	31/12/2003
SCHEME REFERENCE NO	PB153418
EFFECTIVE DATE	31/12/2015
EFFECTIVE DATE OF PREVIOUS CERTIFICATE (IF ANY)	31/12/2012

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:-

- (3) the funding standard liabilities (as defined in the Act) of the scheme amount to €217,949,000.00,
- (4) 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 €259,547,000.00,
- (5) €160,078,000.00, 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,
- (6) the amount provided for in section 44(2)(a) of the Act (Applicable Percentage x ((1) minus (3))) is €5,787,100.00,
- (7) 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 -€3,446,000.00,
- (8) the aggregate of (4) and (5) above amounts to €2,341,100.00, and
- (9) the additional resources (as defined in the Act) of the scheme amount to €41,598,000.00, of which, in accordance with and within the meaning of the guidance issued by the Authority and prescribed under section 47 of the Act, €0.00 comprises contingent assets and €0.00 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.

**Royal Liver Assurance Limited Superannuation Fund (ROI)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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**Actuarial statement and funding certificates (continued)**

**Funding standard reserve certificate (continued)**

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:

06/09/2016

Name:

Mr Derek Hunter

Qualification:

Fellow of Society of Actuaries in  
Ireland (FSAI)

Name of Actuary's:  
Employer/Firm

Watson Wyatt Partners

Scheme Actuary  
Certificate No.

P032



## **Royal Liver Assurance Limited Superannuation Fund (ROI)**

### **Annual Report and Financial Statements**

for the year ended 31 December 2017

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## **Internal dispute resolution procedure**

### **Objective**

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)**

Annual Report and Financial Statements

for the year ended 31 December 2017

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### **Internal dispute resolution procedure (continued)**

#### **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.) Company Limited by Guarantee  
c/o Staff Pensions Trustee Secretarial  
Royal London House  
Alderley Road  
Wilmslow  
SK9 1PF

R.L. Pensions Trustee (R.O.I.) Company Limited by Guarantee 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 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 Financial Services and Pensions Ombudsman. Their office may be contacted at:

**Financial Services and Pensions Ombudsman**  
Lincoln House, Lincoln Place, Dublin 2, D02 VH29  
Telephone: (01) 567 7000  
E-mail: [info@fspo.ie](mailto:info@fspo.ie)  
Website: <http://www.fspo.ie/>