

# **Royal Liver Assurance Limited Superannuation Fund**

**Annual Report and Financial Statements**

**for the year ended 31 December 2015**

**Scheme Registration Number: 10005559**

**Royal Liver Assurance Limited Superannuation Fund**

**Annual Report and Financial Statements**

for the year ended 31 December 2015

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## Royal Liver Assurance Limited Superannuation Fund

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#### Trustee and advisers

<b>Principal Employer</b>	Royal Liver Pension Trustee Services Limited	
<b>Corporate Trustee</b>	R. L. Pensions Trustees Limited	
<b>Trustee Directors</b>	<b>Employer nominated</b>	<b>Member nominated</b>
	K J Dobson (P) (Chairman)	D Fraser (P) (resigned 31 December 2015)
	S Blackie	E Bennett (P) (re-appointed 1 January 2016)
	G Clapham	M Patala (D) (appointed 1 January 2016)
	The Law Debenture Pension Trust Corporation plc represented by A Parker (I)	
	(I) <i>Independent trustee</i>	(D) <i>Deferred member</i>
		(P) <i>Pensioner member</i>
<b>Scheme actuary</b>	M J Daniel of Willis Towers Watson Limited (resigned 28 September 2015)	
	J Howes of Willis Towers Watson Limited (appointed 28 September 2015)	
<b>Administrators</b>	The Royal London Mutual Insurance Society Limited	
<b>Independent auditors</b>	PricewaterhouseCoopers LLP	
<b>Legal advisers</b>	DLA Piper UK LLP	
	Cannings Connolly Solicitors	
<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>	Zurich Assurance Limited	
<b>Bankers</b>	HSBC Bank plc	
<b>Contact for enquiries</b>	Provided on 'Further information' page 32	

## **Royal Liver Assurance Limited Superannuation Fund**

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## **Trustee's report**

### **Introduction**

The Trustee Directors of the R.L. Pensions Trustees Limited ("the Trustee") present their annual report and financial statements of the Royal Liver Assurance Limited Superannuation Fund ('the Scheme') for the year ended 31 December 2015.

### **Scheme constitution and management**

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

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

The Trustee Directors are appointed and removed in accordance with the Trustee Deed, the Articles of the Corporate Trustee and the overriding provisions in the Pension Act 2004. The Member Nominated Trustee Director arrangements are determined by the Trustee. The Trustee ordinarily has six Trustee Directors, four of whom are nominated by the Principal Employer and two by Scheme members. The persons who acted as Trustee Directors of the Trustee are listed on page 1.

During the year, Mr M J Daniel resigned his position as Scheme Actuary to focus on his corporate advisory role within Willis Towers Watson Limited. In his statement on leaving office, he noted there were no circumstances connected with his resignation which, in his opinion, significantly affected the interests of the members or the prospective members of, or beneficiaries under, the Scheme. His colleague, Mr J Howes of Willis Towers Watson Limited, was appointed as Scheme Actuary in his place.

### **Review of financial developments and financial statements**

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

Details of the financial statements are provided on pages 11 to 28.

### **Membership**

Details of membership of the Scheme are given below:

	<b>Deferred members</b>	<b>Pensioner members</b>	<b>Beneficiaries</b>	<b>Total</b>
<b>At 31 December 2015</b>	<b>1,577</b>	<b>1,701</b>	<b>448</b>	<b>3,726</b>

## Royal Liver Assurance Limited Superannuation Fund

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## Trustee's report (continued)

### Pension increases

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

The table below summarises the most recent increases applied to pensions in payment and none of the increases was discretionary. The increases to pensions in payment were made above the Guaranteed Minimum Pension (GMP) and were effective from 1 April.

Pension element	Increase basis	2015	2014
Pre 1988 Guaranteed Minimum Pension (Fixed GMP)	Statutory increase at nil	0.0%	0.0%
Pre 1988 Guaranteed Minimum Pension (Indexed GMP)	Statutory increase at CPI, maximum 3%	1.2%	2.7%
Pension accrued before 6 April 1997 in excess of GMP	Joint discretion of Trustee and Company	0.0%	0.0%
Pension accrued between 6 April 1997 and 5 April 2005	Statutory increase at CPI, maximum 5%	1.2%	2.7%
Pension accrued after 5 April 2005	Statutory increase at CPI, maximum 2.5%	1.2%	2.5%
Consumer Prices Index (CPI)	Increase in year to September	1.2%	2.7%

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

The Trustee recommended a discretionary increase in April 2016 to the Principal Employer. A 2.5% increase was awarded to those who retired before April 2010 and with a cap on the amount of increase of £500 per annum

### Transfer values

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

The Scheme ceased to allow transfers in with effect from 1 July 2011 as it was closed to new members.

### Actuarial liabilities

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

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

## Royal Liver Assurance Limited Superannuation Fund

### Annual Report and Financial Statements

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## Trustee's report (continued)

### Actuarial liabilities (continued)

A full actuarial valuation of the Scheme as at 31 December 2015 is currently being performed. The results of this valuation are to be available later in 2016. The results of the previous actuarial valuation as at 31 December 2012 and of a recent funding update as at 31 December 2014 are provided below.

Valuation date: 31 December	2014 £'000	2012 £'000
Value of technical provisions	304,400	279,300
Value of assets available to meet technical provisions	336,500	290,900
Funding surplus	32,100	11,600
Funding level as a percentage of technical provisions	111%	104%

The values of assets at both dates exclude Additional Voluntary Contributions. Following the valuation as at 31 December 2012 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.

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

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

#### Method

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

#### Significant actuarial assumptions

The assumptions used to calculate the Scheme's technical provisions are set out in the actuarial report as at 31 December 2012 are summarised into the following main categories:

- Discount interest rate: single equivalent discount rate of 2.8%
- RPI inflation at 3.0%
- CPI inflation at 2.2%
- Pension increases in deferment at 2.2%
- Pension increases in payment:
  - Pensions accrued before 6 April 1997 at 0%
  - Pensions accrued between 6 April 1997 and 5 April 2005 at 2.25%
  - Pensions accrued after 5 April 2005 at 1.7%
  - GMP pensions accrued after 5 April 1988 at 1.9%
- Mortality for the period in retirement applying the SAPS "All" series tables with a relevant multiplier factor.

The Scheme actuary's certification of the schedule of contributions agreed following the 2012 valuation is on page 31.

## **Royal Liver Assurance Limited Superannuation Fund**

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

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

### **Investment report**

#### **Investment principles and strategy**

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

The Trustee maintains a Statement of Investment Principles ("SIP") as required by section 35 of the Pensions Act 1995 and meet the requirements of the Occupation Pension Schemes (Investment) Regulations 2005. The current SIP was last updated in 2014 and is expected to be updated following the completion of the actuarial valuation currently being undertaken. The Trustee reviews the SIP for appropriateness from time to time.

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

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

#### **Management and custodial arrangements**

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

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

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

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

- Pooled investment vehicles where the managers make their own arrangements for custody of the underlying investments;
- Directly held property where titles deeds are held by the Scheme's legal adviser listed on page 1.
- Additional Voluntary Contributions where the providers listed on page 1 make their own arrangements for the management and custody of the underlying investments.

## Royal Liver Assurance Limited Superannuation Fund

### Annual Report and Financial Statements

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## Trustee's report (continued)

### Review of investment performance

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

Annualised return over	1 year	3 years	Allocation
<b>LDI and Credit portfolio</b>	<b>(0.5%)</b>	<b>7.0%</b>	<b>86%</b>
<i>Benchmark</i>	<i>(0.7%)</i>	<i>5.2%</i>	
<b>World Equity Index fund</b>	<b>1.3%</b>	<b>12.2%</b>	<b>13%</b>
<i>Benchmark</i>	<i>1.3%</i>	<i>12.1%</i>	
<b>Property fund</b>	<b>(3.3%)</b>	<b>2.7%</b>	<b>1%</b>
<i>Benchmark</i>	<i>13.8%</i>	<i>14.6%</i>	
<b>Scheme</b>	<b>(0.6%)</b>	<b>7.6%</b>	<b>100%</b>
<i>Benchmark</i>	<i>0.2%</i>	<i>7.7%</i>	

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

### Employer related investments

Details of employer related investments are given in note 22 to the financial statements.



## **Royal Liver Assurance Limited Superannuation Fund**

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

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

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

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

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

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

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

**Royal Liver Assurance Limited Superannuation Fund**

**Annual Report and Financial Statements**

for the year ended 31 December 2015

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**Trustee's report (continued)**

**Further information**

Any enquiries about the Scheme can be made by contacting the Staff Pensions Team at the address provided in the 'Further information' on page 32. A copy of this annual report and financial statements is available on the Royal London Group website.

**Approval**

The Trustee's report was approved by the Trustee Directors on 13 June 2016.

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



**Trustee Director**



**Trustee Director**

## **Royal Liver Assurance Limited Superannuation Fund**

Annual Report and Financial Statements

for the year ended 31 December 2015

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

#### **Report on the financial statements**

##### **Our opinion**

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

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

##### **What we have audited**

Royal Liver Assurance Limited Superannuation Fund's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2015;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

##### **Our responsibilities and those of the Trustee**

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

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

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

## **Royal Liver Assurance Limited Superannuation Fund**

Annual Report and Financial Statements

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

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

##### **What an audit of financial statements involves**

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

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

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

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

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



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

**13 June 2016**

# Royal Liver Assurance Limited Superannuation Fund

## Annual Report and Financial Statements

for the year ended 31 December 2015

### Fund account

	<i>Note</i>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Contributions and other income</b>			
Other income	4	-	2
		<u>-</u>	<u>2</u>
<b>Benefits and other payments</b>			
Benefits	5	10,376	10,245
Individual transfers to other schemes	6	1,773	527
Administrative expenses	7	600	605
		<u>12,749</u>	<u>11,377</u>
<b>Net withdrawals from dealings with members</b>		<u>(12,749)</u>	<u>(11,375)</u>
<b>Returns on investments</b>			
Investment income	8	7,096	7,582
Change in market value of investments	11	(8,855)	50,825
Investment management expenses	9	(636)	(708)
Net returns on investments		<u>(2,395)</u>	<u>57,699</u>
<b>Net (decrease)/increase in the Scheme</b>		<u>(15,144)</u>	<u>46,324</u>
Opening net assets		<u>339,287</u>	<u>292,963</u>
<b>Closing net assets</b>		<u><u>324,143</u></u>	<u><u>339,287</u></u>

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

**Royal Liver Assurance Limited Superannuation Fund**

## Annual Report and Financial Statements

for the year ended 31 December 2015

**Statement of net assets available for benefits as at 31 December 2015**

	<i>Note</i>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Investment assets</b>			
Bonds	11	273,545	278,852
Derivatives	12	113,511	108,217
Pooled investment vehicles	14	41,281	36,467
Property	15	2,150	12,140
Cash	16	3,414	6,000
Other investment balances	17	2,091	1,993
AVC investments	18	2,645	2,753
		<u>438,637</u>	<u>446,422</u>
<b>Investment liabilities</b>			
Derivatives	12	(115,030)	(108,036)
Other investment balances	17	(432)	(446)
		<u>(115,462)</u>	<u>(108,482)</u>
<b>Total net investments</b>		<u>323,175</u>	<u>337,940</u>
<b>Current assets</b>	23	1,766	1,781
<b>Current liabilities</b>	24	(798)	(434)
<b>Net assets available for benefits as at 31 December 2015</b>		<u>324,143</u>	<u>339,287</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets of available for benefits at the disposal of the Trustee. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Scheme year are not dealt with in the financial statements. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Trustee's report under Actuarial liabilities on page 3 and these financial statements should be read in conjunction with this report.

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

The financial statements were approved by the Trustee Directors on 13 June 2016.

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



**Trustee Director**



**Trustee Director**

## **Royal Liver Assurance Limited Superannuation Fund**

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

for the year ended 31 December 2015

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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 Pension Trustee Services Limited became the Principal Employer. On 1 July 2011 the Scheme was closed to new members and to future benefits accrual for existing members.

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

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

### **2. Statement of compliance**

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

The Trustee has adopted early the provisions of "Amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland – Fair value hierarchy disclosures (March 2016)".

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

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

The Scheme has adopted FRS 102 in these financial statements for the first time and there have been no restatements as a result of the transition to FRS 102. There have been minor presentational changes in relation to this.

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

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

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

Assets and liabilities in foreign currencies are expressed in 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**

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

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

##### **(c). Other income**

Other income is accounted for on a receipt basis.

##### **(d). Benefit payments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## **Royal Liver Assurance Limited Superannuation Fund**

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

for the year ended 31 December 2015

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

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

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

### **(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 Trustees adopt valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

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

- Bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.
- The value of bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.
- Properties are valued annually by independent valuers who have recent experience of the locations and types of properties held by the Scheme, taking account, amongst other things, of the current estimate of rental values and market yields. No depreciation is provided on freehold buildings or long leasehold properties.
- Swaps are valued at the net present value of future cash flows arising therefrom.

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.

**Royal Liver Assurance Limited Superannuation Fund****Annual Report and Financial Statements**

for the year ended 31 December 2015

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

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
VAT refund	-	2

The Scheme is registered as part of the VAT group for the Royal London Group and occasionally receives refunds from HM Revenue & Customs for VAT claimed following review of input and output VAT.

**5. Benefits**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Pensions	<b>9,398</b>	9,495
Commutations and retirement lump sums	<b>978</b>	741
Lump sum death benefits	-	9
	<b>10,376</b>	10,245

**6. Individual transfers to other schemes**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Individual transfers to other schemes	<b>1,773</b>	527

**7. Administrative expenses**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Administration fees	<b>272</b>	211
Trusteeship fees	<b>49</b>	42
Actuarial fees	<b>121</b>	124
Levies paid to the Pensions Regulator	<b>68</b>	52
Audit fees	<b>20</b>	14
Legal fees	<b>70</b>	63
Consultancy fees	-	99
	<b>600</b>	605

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

## Annual Report and Financial Statements

for the year ended 31 December 2015

### Notes to the financial statements (continued)

#### 8. Investment income

	2015 £000	2014 £000
Income from bonds	6,847	6,583
Net receipts / (payments) from swaps	(233)	-
Net rents from properties	458	956
Interest on cash deposits	8	11
Other investment income	16	32
	<u>7,096</u>	<u>7,582</u>

#### 9. Investment management expenses

	2015 £000	2014 £000
Administration and management	542	601
Custodian charges	15	13
Investment advisory	68	81
Investment performance fees	11	13
	<u>636</u>	<u>708</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 are analysed as follows:

Transaction fee category	Equities £'000	Bonds £'000	Property £'000	2015 Total £'000	2014 Total £'000
Fees	-	-	22	22	28
Commissions	-	-	94	94	56
<b>Total 2015</b>	<u>-</u>	<u>-</u>	<u>116</u>	<u>116</u>	
Total 2014	-	-	84		84

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

# Royal Liver Assurance Limited Superannuation Fund

## Annual Report and Financial Statements

for the year ended 31 December 2015

### Notes to the financial statements (continued)

#### 11. Reconciliation of net investments

	Value as at 1 January 2015 £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Change in market value £000	Value as at 31 December 2015 £000
Bonds	278,852	92,156	(80,371)	(17,092)	273,545
Derivatives	181	577,347	(587,764)	8,717	(1,519)
Pooled investment vehicles	36,467	4,500	(114)	428	41,281
Properties	12,140	1	(9,057)	(934)	2,150
AVC investments	2,753	-	(134)	26	2,645
	<u>330,393</u>	<u>674,004</u>	<u>(677,440)</u>	<u>(8,855)</u>	<u>318,102</u>
Cash	6,000				3,414
Other investment balances	1,547				1,659
	<u>7,547</u>				<u>5,073</u>
<b>Net investment assets</b>	<u>337,940</u>			<u>(8,855)</u>	<u>323,175</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 and on closed derivative contracts during the year.

#### 12. Derivatives

	2015			2014		
Over the counter contracts	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Total return swaps	113,511	(114,623)	(1,112)	2,256	(1,735)	521
Interest rate swaps	-	(79)	(79)	-	-	-
Inflation swaps	-	(328)	(328)	-	(340)	(340)
	<u>113,511</u>	<u>(115,030)</u>	<u>(1,519)</u>	<u>2,256</u>	<u>(2,075)</u>	<u>181</u>

#### 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.

## **Royal Liver Assurance Limited Superannuation Fund**

Annual Report and Financial Statements

for the year ended 31 December 2015

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

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

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). Interest rate swap**

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

##### **(b). Inflation swap**

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

##### **(c). Total return swaps**

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

**Royal Liver Assurance Limited Superannuation Fund**

## Annual Report and Financial Statements

for the year ended 31 December 2015

**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	2015 Net £000
<b>Total return swaps</b>						
Pay fixed interest for total return (Gilts)	1 year	11	46,586	66,344	(67,830)	(1,486)
Pay total return (Gilts) for fixed interest	1 year	7	42,565	47,167	(46,793)	374
				<u>113,511</u>	<u>(114,623)</u>	<u>(1,112)</u>
<b>Interest rate swaps</b>						
Pay fixed interest for variable (6 month LIBOR)	15 years	1	3,500	-	(79)	(79)
<b>Inflation swaps</b>						
Pay fixed interest for RPI	Over 50 years	1	1,000	-	(328)	(328)
				<u>113,511</u>	<u>(115,030)</u>	<u>(1,519)</u>

**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 and or stock collateral received from counterparty to the transaction.

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

Cash collateral received by the Scheme as at 31 December 2015 was nil (2014: £0.35 million). The cash collateral is included within cash with an offset liability included within the investment liabilities.

The Scheme undertook derivative transactions during the year which required stock collateral to be pledged to counter parties. The stock collateral pledged in respect of the derivatives is in the form of UK government bonds with a market value, as at 31 December 2015, of £1.82 million (2014: £0.66 million) and is included in the investment assets.

**Royal Liver Assurance Limited Superannuation Fund****Annual Report and Financial Statements**

for the year ended 31 December 2015

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

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Equity	<b>41,145</b>	36,221
Fund of hedge funds	<b>136</b>	246
	<b>41,281</b>	36,467

The underlying assets held in the Fund of hedge funds consist of United States Dollar denominated liquidating shares in an investment company registered in the Cayman Islands and are managed by a company registered in the United States. The balance in the fund represents deferred proceeds that the fund manager retained following redemption of the Scheme's units in the fund in 2013. The proceeds are gradually being released upon sale of the underlying assets.

**15. Property**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Freehold	<b>2,150</b>	12,140

The Scheme holds three remaining properties which the Trustee has approved disposal of in 2016. There are no legal restrictions on the realisability of the properties although the Trustee recognises that it would take longer than usual to achieve disposal of some of the properties on favourable terms.

The properties are currently rented and the tenants are responsible for repairs and maintenance.

The properties are stated at an open market value as at 31 December 2015 determined by CB Richard Ellis Limited (Chartered Surveyors), in accordance with the Royal Institute of Chartered Surveyors Valuation Standards (Red Book). The main assumptions on which the valuation was based were tenure, letting income, town planning, taxation and condition and repair of the buildings and sites.

**16. Cash**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Cash held by investment managers	<b>3,414</b>	5,650
Cash collateral pledged by counter parties	-	350
	<b>3,414</b>	6,000

**Royal Liver Assurance Limited Superannuation Fund****Annual Report and Financial Statements**

for the year ended 31 December 2015

**Notes to the financial statements (continued)****17. Other investment balances**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Accrued investment income	<b>2,034</b>	1,993
Investment income receivable	<b>57</b>	53
	<b>2,091</b>	2,046
Rent received in advance	<b>(44)</b>	(149)
Amounts due to brokers	<b>(388)</b>	-
Collateral loans held for counter parties	-	(350)
	<b>(432)</b>	(499)
	<b>1,659</b>	1,547

**18. Additional Voluntary Contributions (AVC) investments**

The Trustee holds assets invested separately from the main fund in the form of insurance policies, which secure additional benefits on a money purchase basis for those members who had previously elected to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year. The aggregate amounts of AVC investments are shown below:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Zurich Assurance Limited	<b>2,645</b>	2,753

**19. 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:

<b>Valuation methodology</b>	<b>Level</b>
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



**Royal Liver Assurance Limited Superannuation Fund****Annual Report and Financial Statements**

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**Notes to the financial statements (continued)****19. Fair value of investments (continued)**

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

Asset category	Hierarchy level			2015
	1	2	3	Total
	£000	£000	£000	£000
<b>Investment assets</b>				
Bonds	170,504	102,753	288	273,545
Derivatives	-	113,511	-	113,511
Pooled investment vehicles	-	41,145	136	41,281
Property	-	-	2,150	2,150
AVC investments	-	-	2,645	2,645
Cash	3,414	-	-	3,414
Other investment balances	674	1,359	58	2,091
	<u>174,592</u>	<u>258,768</u>	<u>5,277</u>	<u>438,637</u>
<b>Investment liabilities</b>				
Derivatives	-	(115,030)	-	(115,030)
Other investment balances	-	-	(432)	(432)
	<u>-</u>	<u>(115,030)</u>	<u>(432)</u>	<u>(115,462)</u>
<b>Total investments</b>	<u>174,592</u>	<u>143,738</u>	<u>4,845</u>	<u>323,175</u>

**Royal Liver Assurance Limited Superannuation Fund**

## Annual Report and Financial Statements

for the year ended 31 December 2015

**Notes to the financial statements (continued)****19. Fair value of investments (continued)**

An analysis for the prior year end is as follows:

Asset category	Hierarchy level			2014 Total £000
	1 £000	2 £000	3 £000	
<b>Investment assets</b>				
Bonds	184,113	93,461	1,278	278,852
Derivatives	-	108,217	-	108,217
Pooled investment vehicles	-	36,221	246	36,467
Property	-	-	12,140	12,140
AVC investments	-	-	2,753	2,753
Cash	6,000	-	-	6,000
Other investment balances	694	1,287	12	1,993
	<u>190,807</u>	<u>239,186</u>	<u>16,429</u>	<u>446,422</u>
<b>Investment liabilities</b>				
Derivatives	-	(108,036)	-	(108,036)
Other investment balances	-	-	(446)	(446)
	<u>-</u>	<u>(108,036)</u>	<u>(446)</u>	<u>(108,482)</u>
<b>Total investments</b>	<u>190,807</u>	<u>131,150</u>	<u>15,983</u>	<u>337,940</u>

**20. Investment risks****Types of risk relating to investments**

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

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

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

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

## **Royal Liver Assurance Limited Superannuation Fund**

Annual Report and Financial Statements

for the year ended 31 December 2015

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

#### **20. Investment risks (continued)**

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

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

Further information on the Trustees' approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

#### **Investment strategy**

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

The Trustee's primary strategic objectives are as follows:

- To ensure the Scheme has sufficient and appropriate assets to pay members' benefits as they fall due.
- To achieve a fully funded status on a self-sufficient basis by 2022 whereby high quality bonds are held to cover the Scheme's liabilities, including inflation-linked bonds to protect against increases in the Scheme's inflation-sensitive liabilities.
- To limit the risk of the assets failing to meet the liabilities in relation to the Statutory Funding Objective.

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

- 15% in return seeking investments comprising global equities, investment property and a small residual hedge fund allocation.
- 85% in investments that move closely in line with the long term liabilities of the Scheme. This is achieved via an active UK corporate bond mandate and an LDI mandate comprising of UK government bonds and derivatives (the purpose of which is to hedge against the impact of interest rate and inflation movements on the value of long term liabilities).

#### **Credit risk**

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

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

## **Royal Liver Assurance Limited Superannuation Fund**

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

for the year ended 31 December 2015

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

### **20. Investment risks (continued)**

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

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

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

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

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

#### **Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas equity markets via the GBP Sterling priced pooled investment vehicle (indirect currency exposure). The Trustee has set a target benchmark allocation to equity of 15%, which will include non-Sterling assets with associated currency risk. The net currency exposure as at 31 December 2015 was £38.3 million (2014: £33.8 million).

#### **Interest rate risk**

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in government and corporate bonds and interest rate swaps (via segregated investments), and cash. The Trustees have set a benchmark for total investment in bonds and interest rate swaps of 85% of the total investment portfolio, as part of their matching investment strategy.

Under this strategy, if interest rates fall, the value of matching investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the yearend the matching portfolio represented 86% of the total investment portfolio (2014: 85%).

#### **Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles, hedge funds and investment properties. The Scheme has set a target asset allocation of 15% of investments being held in return seeking investments. At the year-end the return seeking portfolio represented 14% of the total investment portfolio (2014: 15%).

**Royal Liver Assurance Limited Superannuation Fund****Annual Report and Financial Statements**

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**Notes to the financial statements (continued)****21. Concentration of investments**

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

	2015		2014	
	£000	%	£000	%
Legal and General KY World Equity Index GBP <sup>1</sup>	41,145	12.69	34,741	10.24
UK Treasury 1.25% IL 22/11/2032	16,735	5.16	17,392	5.13
UK Treasury Gilt 4% 22/01/2060	29,776	9.19	30,178	8.89
	<u>87,656</u>	<u>27.04</u>	<u>82,311</u>	<u>24.26</u>

<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.

**22. Employer related investments**

There are no employer related investments held by the Scheme during the year (2014: none).

**23. Current assets**

	2015	2014
	£000	£000
Cash balances	1,088	841
Benefits paid in advance	678	739
Other debtors	-	144
	<u>1,766</u>	<u>1,724</u>

Benefits paid in advance are pensioner benefits for January 2016 paid on 31 December 2015 in advance of the due date, 1 January 2016, due to the date falling on a bank holiday.

**24. Current liabilities**

	2015	2014
	£000	£000
Amounts due to employer	39	41
Tax on pensions payable	12	10
Accrued expenses	656	291
VAT payable	12	35
Other creditors	79	-
	<u>798</u>	<u>377</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.

## **Royal Liver Assurance Limited Superannuation Fund**

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

for the year ended 31 December 2015

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

### **25. Related party transactions**

#### **a. Transactions with key management personnel**

##### **Trustee Directors**

Three Trustee Directors were in receipt of a pension from the Scheme.

One Trustee Director received director's fees amounting to £7,500 (2014: £7,500).

Three Trustee Directors (2014: three) claimed travel expenses of whom two also received a subsistence allowance for attendance at Trustee meetings amounting to £1,741 (2014: £2,406).

The Law Debenture Pension Trust Corporation plc is the corporate Trustee Director of the Scheme. They are paid a fee in respect of their trustee services. In 2015 this amounted to £37,073 (2014: £30,920) and included in note 7. Fees amounting to £14,460 (2014: £5,632) were payable by the Scheme as at year-end and are included in note 24.

#### **b. Transactions with other related parties**

##### **1. The employer**

Royal Liver Pension Trustee Services Limited, the Principal Employer, is a subsidiary company of The Royal London Mutual Insurance Society Limited. The Royal London Mutual Insurance Society Limited has provided administrative services to the Scheme during the year. Costs incurred in providing these services which are recharged to the Scheme amounted to £167,398 (2014: £172,348) and are included in note 7. An amount of £40,791 (2014: £42,938) was payable by the Scheme as at the year-end and is included in note 24.

##### **2. The Investment Manager**

The Investment Managers and the basis of their fees are set out in the Investment Management Agreements. These fees are borne directly by the Scheme. The fees paid to the Investment Managers are included in note 9.

Royal London Asset Management Limited (RLAM) is a subsidiary company within the Royal London Group. RLAM is the investment manager of the corporate bond, LDI and property investments of the Scheme on an arm's length basis. They are remunerated in accordance with the terms of a normal commercial contract and fees for 2015 amounted to £440,556 (2014: £416,375). Fees amounting to £104,263 (2014: £113,938) were payable by the Scheme as at the year-end and are included in note 24.

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

### **26. Contingent liabilities and contractual commitments**

In the opinion of the Trustee, the Scheme has contingent liabilities or contractual commitments in the form of stock collateral arrangements which are disclosed in note 13 in addition to the liability to pay future benefits to Scheme members and their dependants as at 31 December 2015 (31 December 2014: contingent liabilities related to cash and stock collateral).

### **27. 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**

Annual Report and Financial Statements

for the year ended 31 December 2015

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**Independent Auditors' Statement about Contributions to the Trustee of the Royal Liver Assurance Limited Superannuation Fund****Statement about contributions****Our opinion**

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2015 as reported in Royal Liver Assurance Limited Superannuation Fund's summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Scheme actuary on 26 September 2013.

**What we have examined**

Royal Liver Assurance Limited Superannuation Fund's summary of contributions for the Scheme year ended 31 December 2015 is set out on the following page.

**Responsibilities for the statement about contributions****Our responsibilities and those of the Trustee**

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

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

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

**What an examination of the summary of contributions involves**

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

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



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

13 June 2016

## **Royal Liver Assurance Limited Superannuation Fund**

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

for the year ended 31 December 2015

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#### **Summary of contributions**

As further accrual of benefits in the Scheme ceased on 30 June 2011, no further contributions are payable under the currently in-force Schedule of Contributions. As such there were no contributions paid by either the employer or employee to the Scheme during the year.

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



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**Actuarial certificate**

**Actuary's certification of the schedule of contributions**

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

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

**Adequacy of rates of contributions**

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

**Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated September 2013.

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

**Mark Daniel**  
**Scheme actuary**  
**Fellow of the Institute of Actuaries**  
**Towers Watson Limited**  
**26 September 2013**

**Belvedere**  
**12 Booth Street**  
**Manchester**  
**M2 4AW**

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## **Further information**

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

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

- information regarding the Scheme has been given to the Registrar of Occupational Pension Schemes;
- the Pensions Advisory Service (TPAS, formerly known as OPAS) of 11 Belgrave Road, London, SW1V 1RB is able to assist members and beneficiaries with difficulties which may arise;
- the Pensions Ombudsman of 11 Belgrave Road, London, SW1V 1RB may investigate and determine any complaint or dispute of fact or law which they have failed to resolve with the Trustee or the Scheme administrator, in relation to an occupational pension scheme.

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

- suspend, disqualify and remove a trustee, or a director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The Auditor and Actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

### **Internal disputes resolution procedure**

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

### **Contact for further information**

Any queries or complaints about the Scheme, including requests from individuals for information about their benefits, or for a copy of Scheme documentation, should be sent to the Trustee of the Royal Liver Assurance Limited Superannuation Fund at the following addresses.

Queries from members about their benefit entitlements:

c/o Staff Pensions Team

Royal London House

Alderley Road

Wilmslow

SK9 1PF

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

Phone: 01625 604 960

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

c/o Royal London Company Secretary

Royal London Group

55 Gracechurch Street

London

EC3V 0RL

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

Phone: 0207 506 6500