

Members' Summary Funding Statement

This Summary Funding Statement has been prepared by the Trustee of the London Stock Exchange Group Pension Scheme (the “Trustee” of the “Scheme”) to update members on the financial position of the LSE Section (the “Section”).

Why have you sent me this Summary Funding Statement?

The Trustee is responsible for looking after the Scheme on behalf of its members. We are sending you this statement to let you know about the Section’s financial security. The financial security of the Section might affect the benefits you will receive, so we recommend you take some time to read through this statement. We will send you a similar statement next year to keep you up to date.

How is the Section’s financial security measured?

The LSE and LCH Sections both have their own assets and the financial performance of each Section is reviewed separately.

The estimated cost of providing the benefits that you and other members have earned to date is known as the Section’s “**liabilities**”. This includes the benefits of members who have left the Company¹ or retired.

The Scheme is closed to future benefit accrual. However, the Company continues to pay contributions when required.

The contributions we collect from the Company are invested in a communal fund for the LSE Section, not in separate funds for each individual. The amount of money we have invested is known as the Section’s “**assets**”.

To check the Section’s financial security, we look at its financial position and compare the value of its liabilities to the value of its assets. If the value of the Section’s assets is lower than the value of its liabilities, it is said to have a “**shortfall**”. If the value of its assets is higher than the value of its liabilities, there is said to be a “**surplus**”.

We carry out an in-depth look at the Section’s finances at least every three years. This is called an “actuarial valuation”. We ask a qualified, independent professional, known as an Actuary, to do this. We also ask the Actuary to carry out a less formal check on the financial security of the Section annually, between the actuarial valuations. When this is done, we receive an actuarial report summarising the Actuary’s conclusions.

¹ In this document, “Company” means London Stock Exchange plc.

What is the Section’s financial position?

The latest formal actuarial valuation was completed as at 31 December 2020. The results of this valuation, the previous actuarial report as at 31 December 2019, and the subsequent actuarial report as at 31 December 2021 are shown in the table below:

Actuarial valuation / actuarial report as at:	31 December 2019	31 December 2020	31 December 2021
The value of the Section’s liabilities was:	£494.7m	£524.4m	£494.5m
The value of the Section’s assets was:	£435.6m	£479.2m	£478.0m
This means that there was a shortfall of:	£59.1m	£45.2m	£16.5m

How has the Section’s financial position changed?

When you last received a Summary Funding Statement in October 2020, the Section was estimated to have a shortfall of £59.1 million at 31 December 2019. However, we also noted that due to the lower than assumed investment returns on the Section’s growth assets during the first half of 2020, the shortfall was estimated to have increased to approximately £66 million as at 30 June 2020.

As shown in the table above, the position has since improved; the actuarial valuation showed a shortfall of £45.2 million as at 31 December 2020 and this decreased to an estimated shortfall of £16.5 million as at 31 December 2021.

The improvement in the Section’s financial position between 31 December 2019 and 31 December 2021 was primarily driven by the following factors:

- Higher than assumed investment returns on the Section’s growth assets, following a rebound in markets from the second half of 2020. This strong asset performance was supported by coordinated monetary and fiscal policy and the accelerating roll-out of COVID-19 vaccines which provided a more positive outlook for investors.
- Contributions of £14 million per annum paid into the Section by the Company in both December 2020 and 2021.

These factors were partially offset by an improvement in the terms offered to members exchanging pension for cash, which increased the value placed on the Section’s liabilities.

What has happened so far in 2022?

Recent events, including the conflict in Ukraine, an energy and cost of living crisis, slower economic growth, the ongoing effects of the UK's exit from the European Union and the COVID-19 pandemic have caused heightened uncertainty and volatility in global financial markets, which has in turn had an impact on the financial position of many UK pension schemes. However, the specific impact on the Section's financial position has been limited due to the investment strategy put in place by the Trustee.

The Actuary has estimated that the Section's shortfall at 31 March 2022 was approximately £13 million (i.e. around £3 million lower than the shortfall as at 31 December 2021).

It should be noted that pension schemes make long-term investments and short-term volatility is not surprising or a cause for concern. The Trustee regularly reviews the appropriateness of its investment strategy.

Is the estimated shortfall going to be paid off, and if so, how will this be done?

As the Scheme is closed to future benefit accrual, the Company is no longer required to pay contributions to meet the cost of new benefit accrual. However, the Company's commitment to fully fund the accrued benefits continues.

The Trustee and the Company agreed to make up the shortfall of £45.2 million revealed at the 31 December 2020 valuation through a combination of expected investment returns above the prudent allowance made in determining the Section's liabilities and additional Company contributions. As noted above, the Company paid £14m of contributions in 2021. The Company will make another contribution of £14 million on or before 31 December 2022 and a further contribution of up to £11.4 million in 2023. Our aim is for the shortfall to be eliminated by 31 December 2023.

In addition to the above contributions, the Company continues to pay contributions to cover the administrative expenses of the Section.

To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the Section's assets will grow. If the assumptions do not all turn out to be exactly in line with what happens in future, it may be necessary to change the level of contributions to the Section or the period over which the shortfall is paid off.

There is also a legal requirement for us to tell you if any payments have been made to the Company out of Scheme funds. We can confirm there have been no such payments to the Company out of Scheme funds since the last statement was issued.

How do you know what contributions should be paid into the Section?

Following each actuarial valuation, the Actuary advises us what contributions should be paid into the Section in order to remove any shortfall. We then agree a level of contributions for the Section with the Company and record this in a document called the Schedule of Contributions.

We review and update the Schedule of Contributions at least each time the Section has an actuarial valuation (i.e. at least every three years). The valuation and Schedule of Contributions follow standards we have set out in a Statement of Funding Principles. This document describes how we will manage the funding of the Section with the aim of being able to pay all members' benefits.

We are required to tell you whether the Pensions Regulator has used its legal powers to make directions as to any of the method and assumptions used to calculate the liabilities, the length and structure of the recovery plan or the contributions that should be paid under the recovery plan. The Regulator has not used its powers in relation to the Section and therefore the Section is not subject to any directions.

Is my pension guaranteed?

The Trustee and the Company work together with a common goal of there being enough money in the Section to pay pensions now and in the future. This requires that the Company carries on in business and continues to pay money into the Section at the required time. In the unlikely event that the Company goes out of business whilst solvent or decides to stop paying for the Section, it has the responsibility to pay the Section enough money to secure all the benefits built up by members from an insurance company. This is known as the Section being "wound-up".

Legislation requires the Trustee to let you know of the position if the Section were to be "wound-up". The comparison of the Section's assets to the cost of buying the benefits from an insurance company is known as the "solvency position".

Is there enough money in the Section to provide my full benefits if the Section was wound-up?

The actuarial valuation at 31 December 2020 showed that the Section's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Section had wound-up at that date.

The liabilities if the Section were to be wound-up were:	£546.8 million
The Section's assets were valued at:	£479.2 million
This means that there was a shortfall of:	£67.6 million

Securing benefits with an insurance company is an expensive process and in line with most defined benefit schemes in the UK, the Section does not currently have sufficient assets to buy insurance policies. As mentioned above, the cost of winding up assumes that benefits will be paid for by buying insurance policies. Insurers are obliged to take a very cautious view of the future (including the administration costs of paying the benefits) and need to make a profit. By contrast, when agreeing the contribution rates the Company will pay, we assume that the Company will continue in business and support the Section.

What happens if the Section is wound-up and there is not enough money to pay for all my benefits?

If the Section is wound up, the Company will have to make good the expected shortfall. As a further protection, the Government has set up a “safety net” in the form of the Pension Protection Fund (“PPF”) to pay a minimum level of benefits to members if the Section is wound-up and the Section and the Company do not have enough money to cover the cost of buying this minimum level of benefits with an insurer.

If the Section were to be wound up and go into the PPF, the pension you would receive from the PPF may be less than the full benefit you have earned in the Section.

Further information and guidance is available on the PPF website at www.ppf.co.uk.



Can I transfer my benefits out of the Section before I am due to retire?

Yes, this is usually possible. Most members can access an up-to-date transfer value figure at www.mypensiontracker.co.uk

In addition, from 1 April 2022 we have introduced a new option for you to take a partial transfer value immediately before your pension starts (under this option, approximately half of your pension benefits would start to be paid from the Scheme and the other half would be transferred to another pension arrangement). This option is subject to the Scheme’s partial transfer value policy which may be updated from time to time and does allow partial transfer values to be refused in certain cases (for example if they are overly complex).

If you are thinking of transferring your benefits from the Section for any reason, you should consult a professional adviser, such as an independent financial adviser, before considering any further action. The law prevents us from providing you with financial advice.

The Company has appointed an independent financial adviser – WPS Advisory Limited (“WPSA”) – to help members with their retirement planning. The Company will pay for up to two separate sessions of advice from WPSA.

You can contact WPSA at:

Phone: **0808 145 1894** or **+44 203 282 3761** if calling from overseas

Email: LSEGPS@ukwps.com

Please note that the Trustee and Company are just facilitating access to advice from WPSA and not recommending any particular course of action – the choice of whether to obtain advice, and if so from whom, is solely your choice. If you decide to use WPSA, any legal relationship will be solely between you and WPSA. The Trustee and the Company are not responsible for WPSA’s advice.

You can use your own choice of financial adviser if you prefer, but the Company will only pay for you to receive advice from WPSA.

For further information on the impact of transferring your benefits out of the Scheme, you can visit the FCA’s website on consumer information on ‘DB transfers’.

Please visit www.fca.org.uk/consumers/pension-transfer-defined-benefit. You can also visit moneyhelper.org.uk which is a government service that offers free, impartial guidance about your pensions’ options.



Where can I get more information?

If you have any other questions, or would like any more information, please contact the Section Administrators at:

Members who have not retired should contact:

Premier Pensions Management
PO Box 108, Blyth NE24 9DY

Telephone: **0800 488 0796**
or **+44 208 663 5850**
if calling from overseas

Email: LSEGPS@Premiercompanies.co.uk

Members who are receiving a pension should contact:

Pension Insurance Corporation
PO Box 556, Darlington DL1 9YX

Telephone: **0800 652 7000**
or **+44 1325 271860**
if calling from overseas

Email: enquiries@picadmin.co.uk

Members who are receiving a pension can also visit Member Zone to access monthly payslips, update personal details and view other useful information. Go to www.picmemberzone.com, if you have already signed up. If you need to join, please follow the steps in your registration letter using your unique registration code. If you need a registration letter, or any additional help please contact Pension Insurance Corporation.

In addition, all members can access the Scheme-specific website at www.lseg.yourpremier.co.uk, which allows you to view Scheme documents, browse educational content and access retirement and transfer request forms without the need to login.

A list of documents that provide further information is also shown below. Members can be provided with copies of these documents on request or they can be found on the Scheme-specific website shown on the left.

Statement of Funding Principles

This explains how we (the Trustee) plan to make sure enough money is paid into the Section to provide the benefits that members have built up.

Schedule of Contributions

This shows how much money is being paid into the Section by the Company and includes a certificate from the Actuary showing that it is sufficient.

Annual Report and Accounts of the London Stock Exchange Group Pension Scheme

This shows the Scheme's income and expenditure to 31 December 2020; the 31 December 2021 Annual Report and Accounts are in the process of being finalised.

Actuarial Valuation as at 31 December 2020 and Actuarial Report as at 31 December 2021

These contain the details of the Actuary's formal assessment of the Section's funding position as at 31 December 2020, as well as the Actuary's approximate check of the Section's funding position at 31 December 2021.

The Trustee of the London Stock Exchange Group
Pension Scheme

June 2022

