

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 LCH 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 in future years to keep you up to date.

How is the Section’s financial security measured?

The LCH and LSE 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 Section, not in separate funds for each individual. **The amount of money we have invested is known as the Section’s “assets”.**

¹In this document, “Company” refers collectively to LCH Limited (the Section’s Main Employer) and London Stock Exchange plc (the Section’s Principal Employer).

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 referred to as an “actuarial valuation”. An independent and qualified professional, known as an Actuary, carries out the actuarial valuation and provides a written report summarising their conclusions. In the interim years between actuarial valuations, the Actuary also undertakes a less formal check on the financial security of the Section.

What is the Section’s financial position?

The latest formal actuarial valuation was completed as at 31 December 2020. The results of this valuation and subsequent actuarial reports as at 31 December 2021 and 31 December 2022 are shown in the table below:

Actuarial valuation / actuarial report as at:	31 Dec 2020	31 Dec 2021	31 Dec 2022
The value of the Section’s liabilities was:	£320.9m	£300.3m	£157.7m
The value of the Section’s assets was:	£322.3m	£321.1m	£181.0m
This means that there was a surplus of:	£1.4m	£20.8m	£23.3m

How has the Section's financial position changed since you last received a Summary Funding Statement?

When you last received a Summary Funding Statement in June 2022, the Section was estimated to have a surplus of £20.8 million as at 31 December 2021. However, we also noted that the surplus was estimated to have increased to approximately £24 million as at 31 March 2022.

The significant increase in UK government bond yields (i.e. long-term interest rates) over the course of 2022 led to an increase in the Section's future asset return assumption. This reduced the value of the Section's liabilities as the higher assumed future asset return means that less money is required to be invested now in order to expect to meet the required future benefit payments.

The increase in bond yields also reduced the value of the Section's "matching assets". This was broadly in line with the reduction in the value of the Section's liabilities over the year, as intended.

Overall, the value of the Section's assets decreased by less than the value of the liabilities due to higher investment returns on the Section's "growth assets". As a result, the Section's funding position has improved, with the 31 December 2022 actuarial report showing an estimated surplus of £23.3 million (as shown in the table on page 1).

What has happened so far in 2023?

As you may recall from previous newsletters, the Trustee and the Company have been working closely together to reduce the risks to which the Section is exposed and therefore improve the security of members' benefits. A long-term funding framework was put in place as part of the 31 December 2017 actuarial valuation, the aim of which was to ensure the Section was fully-funded on a prudent long-term funding basis by 31 December 2022. The basis agreed was set broadly in line with the cost of securing pensioner benefits with an insurance company. Full funding was achieved ahead of schedule and by 31 December 2022 the Section had a surplus on this long-term funding basis (as shown in the table on page 1).

Given the strong funding position, the Trustee and Company agreed to take the Scheme (both the LCH Section and the LSE Section) to the insurance market in late 2022. We are very pleased to confirm that in May 2023 a full Scheme bulk annuity policy was secured with Standard Life, a well-known and regulated UK life insurance company. This policy covers all members of the Scheme who have not previously been insured.

This is a positive development for members and does not affect your pension entitlement or the service that you currently receive from the Section administrator: Premier Pensions Management Ltd (now Isio).

The contract with Standard Life involves the Trustee paying insurance premiums. In return for receipt of the premiums, Standard Life will make payments to the LSE and LCH Sections in respect of members' benefits. The insurance policy is simply held as an asset of each Section and the Trustee retains full responsibility for ensuring that all member benefits are paid. Insuring all members' benefits reduces the Scheme's overall exposure to financial as well as other risks, notably increases in life expectancy.

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.

As mentioned above, the 31 December 2020 actuarial valuation revealed that the Section had a surplus of £1.4 million. As a result, the Trustee and Company agreed that no further shortfall funding contributions were required at the current time. A £3 million contribution was nevertheless paid into the Section by Company in December 2021 as required by the Schedule of Contributions agreed at the 31 December 2017 actuarial valuation. In addition, the Company continues to pay contributions to cover the administrative expenses of the Section.

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.

The Trustee and Company are presenting this information as they are legally obliged to tell you if any payments have been made to the Company out of Scheme funds, however it is highly unlikely to be relevant for Section members. We can confirm there have been no such payments to the Company out of Scheme funds since the last statement was issued.

We are required to provide you with the following information relating to the Section’s estimated “solvency position” at the last valuation date and the Pension Protection Fund. However, you should note that the historic solvency position is no longer relevant as we have since secured a buy-in policy with Standard Life (that is, the Section is now broadly fully funded on a solvency measure). The buy-in policy also means that it is highly unlikely that the PPF will be of relevance to your benefits in the Section.

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:	£347.5 million
The Section’s assets were valued at:	£322.3 million
This means that there was a shortfall of:	£25.2 million

*The estimated solvency liability shown above represented the estimated cost of securing the Section’s benefits with an insurance Company at 31 December 2020. This is different to the 31 December 2020 liability shown in the table on page one of this Statement which was determined using assumptions that were appropriate for valuing the benefits assuming that they would be provided through the Scheme.

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. If you would like to consider transferring your benefits, then please contact the Scheme’s administrator.

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.

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 www.moneyhelper.org.uk which is a government service that offers free, impartial guidance about your pensions’ options.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME – LCH SECTION

Where can I get more information?

A list of documents that provide further information is shown below. Members can be provided with copies of these documents on request or they can be found on the Scheme-specific website, together with other Scheme documents and educational content at:

www.lseg.yourisio.com.

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 2022.

Actuarial Valuation as at 31 December 2020 and Actuarial Reports as at 31 December 2021 and 31 December 2022

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 as at 31 December 2021 and 31 December 2022.

If you have any other questions, or would like any more information, please contact the Section Administrator. Contact details for Isio and details of how to access more information on your benefits online are shown on page 5 of the accompanying newsletter.

The Trustee of the London Stock Exchange Group Pension Scheme

October 2023