Reuters Pension Fund (the 'RPF')
Summary Funding Statement

LSEG

Reuters Pension Fund (the ‘RPF’) Summary Funding Statement

WHAT IS A SUMMARY FUNDING STATEMENT?

At least once every three years, an independent and qualified professional, known as an Actuary, carries out a full financial health check of the RPF to work out the funding level and provides a written report summarising their conclusions. This formal process is called an ‘actuarial valuation’.

The actuarial valuation indicates the extent to which the assets of the RPF cover the benefits members have earned and if any contributions are necessary (for example to cover expenses). Once the Scheme Actuary has worked out this information, the Trustee and the Company agree a schedule of contributions and, if necessary, a recovery plan to deal with any deficit.

In between actuarial valuations, the Scheme Actuary produces annual reports on the funding of the RPF (as required by legislation) as well as other updates for the Trustee.

These reports are known as summary funding statements, and are not as in-depth as an actuarial valuation, but they help to monitor the development of the funding level.

We have highlighted certain technical terms in **bold** and you can find a definition of these on page 7.

KEY DEVELOPMENTS – EXTENSION OF THE ‘COST OF LIVING AGREEMENT’

As part of the negotiations for the actuarial valuation as at 31 December 2022, the Trustee and Company[1] agreed to extend the current ‘cost of living agreement’, referred to as ‘COLA’ throughout this document, by a further three years to 31 December 2027 (i.e. covering the pension increases payable from 1 January 2025, 1 January 2026 and 1 January 2027).

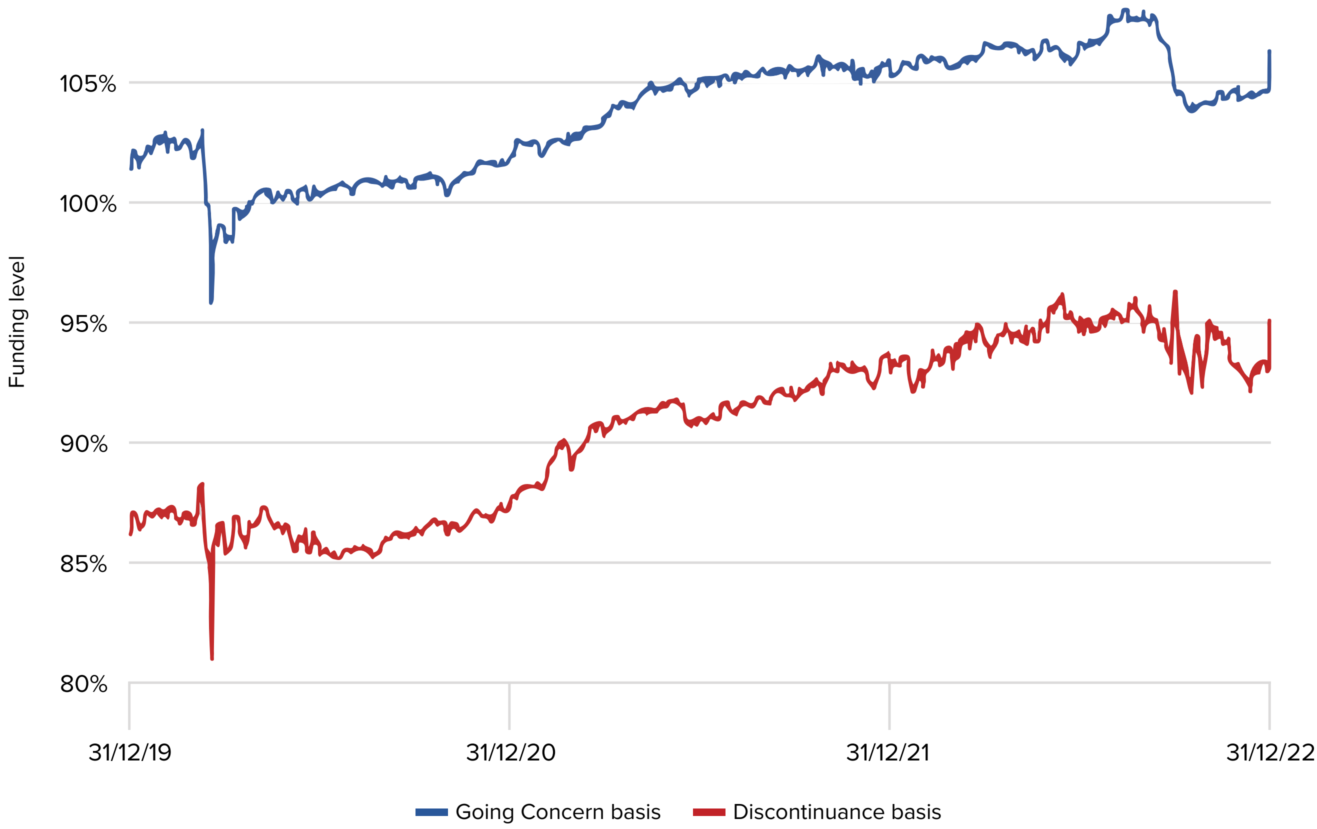
This means pensions in excess of Guaranteed Minimum Pensions (GMPs) which were accrued prior to 6 April 1997 and would not otherwise increase, will continue to receive an annual pension increase in line with the Retail Prices Index (RPI) subject to a maximum of 2.5% p.a.

[1] London Stock Exchange Group (‘LSEG’) as the RPF’s sponsoring employer

Financial position of the RPF

The graph below shows how the RPF funding level has changed over the period from 31 December 2019 to 31 December 2022. Actuarial valuations were carried out at 31 December 2019 and 31 December 2022, with less formal annual reports and other updates in between.

The chart shows two lines: the blue line represents the change in the funding level on the actuarial valuation basis (the **going concern** basis) and the red line the funding level in the event that the RPF was to wind up (the **discontinuance** basis).



Please note that it is quite normal for the funding levels to fluctuate as the factors affecting them are very changeable. They are susceptible in particular to the performance of the RPF's **assets**, and expectations of future interest rates, inflation and life expectancy. In addition, at each actuarial valuation the Trustee will reassess the assumptions used to value the **liabilities** to ensure they remain appropriate.

This means that, even though the **assets** are largely intended to move in line with **liabilities** when markets change (see page 5 for more information), the funding levels can go up or down in the future – this is why the Trustee monitors them on a regular basis.

WHAT IS THE FUNDING LEVEL?

The funding level compares the value of the RPF's **assets** and **liabilities** and is expressed as a percentage.

- If the value of the **assets** is equal to the **liabilities**, the funding level is 100%. This means that the Scheme Actuary has calculated that, on a set of assumptions about the future agreed by the Trustee and Company, the RPF is expected to have sufficient funds at the date of the valuation to be able to pay all members' benefits in full as and when they fall due.
- If the value of the **assets** is more than the **liabilities**, the funding level is greater than 100% and this may provide a cushion against future adverse experience.
- If the value of the **assets** is less than the **liabilities**, the funding level is less than 100% on a **going concern** basis and then the Trustee and Company will agree a plan to increase the funding level to 100%.

The table below shows how the RPF's funding levels and surplus have changed between 31 December 2019 and 31 December 2022 on the **going concern** basis and the **discontinuance** basis.

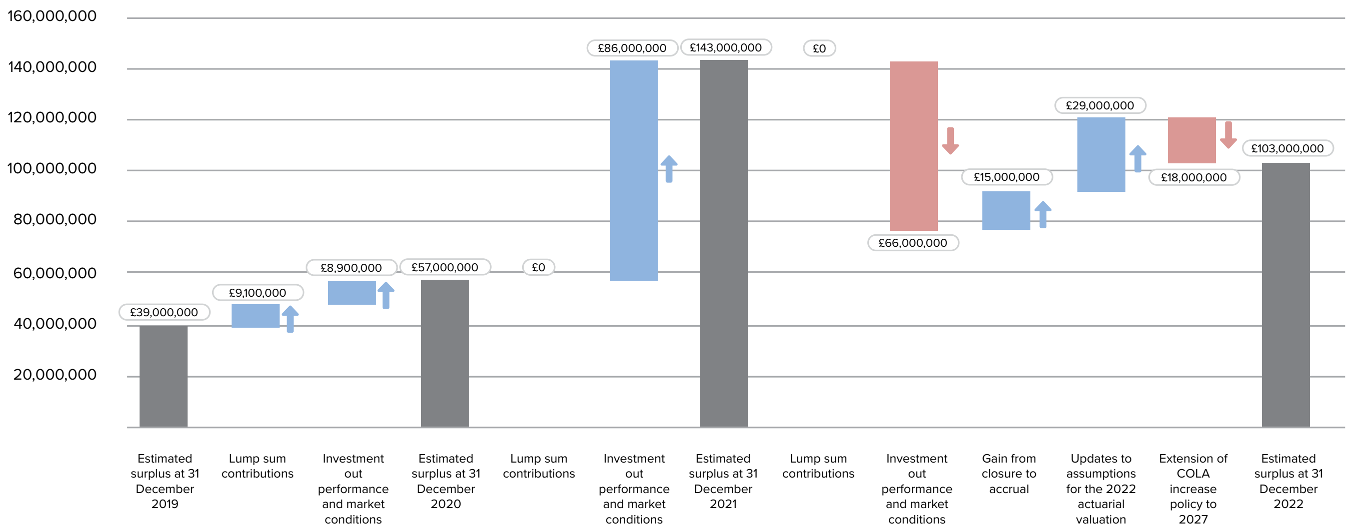
	31 December 2019 *(Actuarial Valuation)*	**31 December 2020**	**31 December 2021**	**31 December 2022** *(Actuarial Valuation)*
Going concern				
Funding level	102%	102%	105%	106%
Surplus/(deficit)	£39m	£57m	£143m	£103m
Discontinuance				
Funding level	86%	88%	93%	95%
Surplus/(deficit)	(£413m)	(£405m)	(£210m)	(£87m)

Even if the **going concern** funding level fell temporarily below 100%, the RPF would continue to pay members' benefits in full.

Reasons for the change in the going concern surplus

We now look at the change in the **going concern** surplus between the actuarial valuation as at 31 December 2019 and the actuarial valuation as at 31 December 2022.

The **going concern** surplus has increased from the actuarial valuation at 31 December 2019 to the actuarial valuation at 31 December 2022. This is due to both the return on the RPF's **assets** being higher than the assumptions underlying the technical provisions, changes in market conditions leading to a decrease in the value of **liabilities** and gains from both the closure to future accrual of the RPF in August 2022, and the update to the assumptions underlying the actuarial valuation as part of the 31 December 2022 valuation process. These gains have been slightly offset by an increase in the **liabilities** due to the extension of COLA to 31 December 2027, referenced on page 2.



The key reasons for the change in the **going concern** surplus are shown in the chart above, while the panel beneath explains the different terms used in the chart.

UNDERSTANDING THE CHART ABOVE

- Market conditions: The estimated change in the funding position caused by changes in market conditions (even though the **assets** are largely intended to move in line with **liabilities** when markets change - see further information on this below), such as changes in the expected yields available on gilts (government bonds) and future expected inflation over the year.
- Investment outperformance: The estimated improvement in the funding position as a result of the **assets** increasing in value by more than the increase in the **liabilities** over the year.
- The RPF uses a risk management strategy called "liability driven investment" or "LDI", where the investment manager creates a portfolio of gilts (government bonds) and

inflation-linked gilts which is designed to mirror the change in **liabilities**. The fundamental purpose of these **assets** is to reduce volatility in the funding position. For example, if **liabilities** increase in value, it is expected that there will be a corresponding increase in the value of the RPF's LDI portfolio.

Q4 2022 saw a signifcant increase in gilt yields which reduced the value of the RPF's gilt holdings, which was a primary reason for the fall in asset value. However, the rise in yields also lowered the value of the measured **liabilities** by a similar amount. As such, whilst there was a fall in asset value, the level of funding (**assets** relative to **liabilities**) changed only marginally. Therefore, despite the fall in the value of its **assets**, the RPF still remains in a strong position to meet the pensions it has promised to its members.

The next triennial actuarial valuation will be based on information about the RPF as at 31 December 2025.

COMPANY CONTRIBUTIONS

As the 31 December 2022 actuarial valuation showed a surplus on a **going concern basis** the Trustee and Company agreed that no deficit reduction contributions were needed.
The Trustee and Company agreed that the Company would continue to pay contributions towards the administrative expenses of the RPF and this has been recorded in the schedule of contributions document. The next review of contributions will be at the 31 December 2025 actuarial valuation.

IF THE RPF WAS WOUND UP

If the RPF was wound up, members might not get the full amount of pension they have built up. In this situation, the Company would have to pay enough for the RPF to secure members' benefits in full with an insurance company if it can (see 'Terms explained').

Please note the **discontinuance** funding level shown on page 4 is purely for your information, and there is no current plan to wind up the RPF.

PENSION PROTECTION FUND ('PPF')

If the Company was to become insolvent, the PPF may step in and pay some compensation to members. For more details, visit the PPF website at www.ppf.co.uk

Or, write to the Pension Protection Fund at
PO Box 254,
Wymondham,
NR18 8DN

THE PENSIONS REGULATOR ('TPR')

We are required by regulations to tell you if there have been any payments to the Company out of the RPF funds during the year. We can confirm that there have not been any.

TPR has the authority to make changes to the RPF if it believes it is necessary to do so, including how the **going concern liabilities** are to be calculated, what level contributions should be paid or the length of any recovery plan. TPR has not needed to intervene in this way. To find out more about TPR, visit their website at www.thepensionsregulator.gov.uk

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

A copy of the RPF's latest Task Force on Climate-Related Financial Disclosures (TCFD) report can be found under the News section of the member website by visiting: www.reuterspensionfund.co.uk/news/2024/06/20/tcfd-report-2023

This report sets out how the Trustee meets the governance requirements of climate-related financial disclosures.

Terms explained

ASSETS

This is the money that is building up in the RPF – including its investments, bank balances and any money owed to it.

LIABILITIES

These are everything that the RPF owes now, as well as the estimated benefits it will have to pay in the future. The **liabilities** do not have a fixed value, because they are affected by:

- how many people will remain deferred members of the RPF until they retire and how many will leave (and transfer their benefits out of the RPF);
- how long members will live after they retire, which is the length of time the RPF must pay them a pension;
- the level of future inflation, which affects the level of future pension increases;
- the rate that is used to convert the RPF's future benefit obligations into today's monetary terms (called the 'discount rate'); and
- future investment market conditions.

The discount rate is set using the yield on government bonds (known as gilts) and a conservative allowance for the RPF's expected investment returns above the gilt yield. As gilt yields decrease the value of the RPF's **liabilities** increase, and vice versa as gilt yields increase.

GOING CONCERN BASIS

This assumes that the RPF will continue into the future and the Company will continue in business and support the RPF.

DISCONTINUANCE BASIS

This looks at the financial health of the RPF if it was wound up at the valuation date and whether or not there would be enough money to buy insurance policies to provide all members' benefits. This might happen, for example, if the Company became insolvent. The Scheme Actuary is required by law to estimate the **discontinuance** funding level and deficit at each actuarial valuation – its inclusion in this statement does not mean that the Company is considering winding up the RPF.

The **discontinuance** funding level for most schemes is lower than the **going concern** funding level. This is because the prices that insurance companies charge for their policies are based on insurers having a more conservative investment strategy than the RPF and also include margins for the risk the insurer is taking on as well as profit margin.

The **discontinuance** basis is also known as the 'solvency' position.

DICTUM MEUM PACTUM

LSEG