

Reuters Pension Fund
Fund Registration Number: 101581063

Trustees' Annual Report and Financial Statements
For the Year Ended 31 December 2020



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Trustees, Sponsoring Employer and their Advisers

Trustee

Reuters Pension Fund Limited

Trustee Directors/Members of the Managing Committee

Appointed by the Sponsoring Employer:

Greg Meekings (*Chairman*)

Rachel Croft – representing Independent Trustee Services Limited

Graeme Ramsey

Martin Vickery

Member Nominated:

Sue Clark (*appointed 16 March 2020*)

Peter Marsden

Geoffrey Sanderson

Secretary to the Trustee

Claudia Bunney

Barnett Waddingham LLP

2 London Wall Place

London EC2Y 5AU

Sponsoring Employer

Refinitiv Limited

Five Canada Square

Canary Wharf

London E14 5AQ

Independent Advisers

Fund Actuary

Jonathan Wicks FIA

Aon Solutions UK Limited

122 Leadenhall Street

London EC3V 4AN

Administrator

Capita Pension Solutions Limited

PO Box 555

Stead House

Darlington DL1 9YT

Independent Auditors

PricewaterhouseCoopers LLP

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London WC2N 6RH

Legal Adviser

Sacker & Partners LLP

20 Gresham Street

London EC2V 7JE

Trustees, Sponsoring Employer and their Advisers

Life Assurers

Legal and General Assurance Society Limited
Legal and General House
Kingswood
Tadworth
Surrey KT20 6EU

Zurich Assurance Limited
PO Box 3512
Swindon SN3 9AH

Investment Adviser

Redington Limited
Floor 6
One Angel Court
London EC2R 7HJ

Investment Managers

Abbott Capital Management LLC
1290 Avenue of the Americas
9th Floor
New York, NY 10104
USA

AQR
Two Greenwich Plaza
Greenwich, CT 06830
USA

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London EC2N 2DL

Bridgewater Associates Inc
One Glendinning Place
Westport, CT 06880
USA

CBRE Investors
64 North Row
London W1K 7DA

CQS (UK) LLP
4th Floor
One Strand
London W2CN 5HR

Impax Funds (Ireland) plc (*from May 2020*)
Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

Trustees, Sponsoring Employer and their Advisers

Invesco Perpetual Life Limited (*until June 2020*)

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire RG9 1HH

Legal & General Investment Management Limited

One Coleman Street
London EC2R 5AA

Morgan Stanley Alternative Investments

One Tower Bridge
100 Front Street Suite 1100
West Conshohocken, PA 19428
USA

Nephila Capital Limited

31 Victoria Street
Hamilton
Bermuda HM10

Securis Investment Partners LLP

12th Floor, 110 Bishopsgate
London EC2N 4AY

Stone Harbor Investment Funds Plc

78 Sir John Rogerson's Quay
Dublin 2
Ireland

PFS TwentyFour Asset Management

Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

Annuity Providers

Friends Life
P O Box 1810
Bristol BS99 5SN

Canada Life Limited

Canada Life Place
Potters Bar
Hertfordshire EN6 5BA

Trustees, Sponsoring Employer and their Advisers

AVC Providers

Utmost Life and Pensions Limited
Walton Street
Aylesbury
Bucks HP21 7QW

The Prudential Assurance Company Limited
PO Box 2734
2nd Floor, Abbey Gardens
Reading RG1 3UG

Custodian

Bank of New York Mellon Limited
160 Queen Victoria Street
London EC4V 4LA

Banker

National Westminster Bank
42 High Street
Sheffield S1 1QG

Trustees' Report

The Trustees are pleased to present the annual report and financial statements of Reuters Pension Fund (the "Fund") for the year ended 31 December 2020.

The Fund is a Defined Benefit Scheme and was established under the provisions of a Trust Deed dated 13 December 1893. The Fund was closed to new members from 1 April 1999.

Until 5 April 2016, members were contracted out of the State Second Pension (S2P) under a certificate issued by the HM Revenue & Customs National Insurance Contributions office.

The Fund is registered under the Finance Act 2004. Prior to the introduction of this Act, the Fund was an "exempt approved scheme" under the terms of the Income and Corporation Taxes Act 1988.

Fund Management

The Fund is administered by the Managing Committee, as Managing Trustee, for the benefit of the members and their dependants in accordance with the Fund's Rules.

The Managing Committee is made up of:

- (a) four persons appointed (and removable) by the Sponsoring Employer of whom one serves as Chair;
- (b) three persons who can be contributory members, deferred pensioners or pensioners elected on a rotational basis by contributory members, deferred pensioners and pensioners for a term of six years.

There is also a Trustee of the Fund, namely Reuters Pension Fund Limited, which has a number of specific responsibilities including investments. The Managing Committee appoints and removes the Directors of the Trustee Company who must be members of the Managing Committee. Currently all members of the Managing Committee are Directors of the Trustee Company. The Managing Committee and the Trustee Company are jointly referred to as 'the Trustees' in this report.

The full Trustee Board met 4 times during the year to discuss the strategy and ongoing management of the Fund. The Investment sub-committee, the Finance and Administration sub-committee (FASC) and the Communications sub-committee (CSC) also met on a regular basis to discuss their designated areas. The sub-committees, with the exception of the FASC, do not have delegated powers from the Trustees. The FASC included four Trustee Directors, being Martin Vickery who chaired the sub-committee, Rachel Croft, Peter Marsden and Geoffrey Sanderson. During the year the FASC met once. In April 2020, the FASC and the CSC were replaced by the Operations sub-committee (OSC) which operates jointly with the Reuters Supplementary Pension Scheme. Members of the OSC are currently Martin Vickery, who chairs the sub-committee, Rachel Croft and Peter Marsden.

Governance and Risk Management

The Trustees have prepared a forward-looking business plan, setting out what issues should be considered and when. This is reviewed regularly. During the year, the Trustees addressed, amongst others, the following issues:

(i) Risk Management

The Trustees are responsible for risk management of the Fund and for the underlying controls mitigating identified risks, which are included in the Risk Register. The Risk Register was reviewed and updated. The risk management process is designed to manage, rather than to eliminate, the risk of error, loss or failure to comply with regulatory requirements.

Trustees' Report

(ii) Changes to the Fund's Rules

There were no changes to the rules in the year.

(iii) Trustees Knowledge and Understanding

During the year, the Trustees received training from their advisers on current issues in order to maintain the level of knowledge and understanding required to perform the role of Fund's Trustees. Individual Trustee Directors also attended external training sessions and conferences on investment and current pension issues.

GMP equalisation

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

The High Court has since determined that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustees are under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustees are reviewing, with their advisers and the Sponsoring Employer the implication of these rulings in the context of the Fund rules and the value of any liability. On completion of the review the Trustees will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on 30 January 2020, caused disruption to businesses and economic activity which was reflected in the fluctuations in global stock and financial markets. The Trustees have been coordinated in their operational response based on existing business continuity plans and on guidance from global health organisations, UK Government and general pandemic response best practice. The Trustees also put in place a special temporary delegation of powers to a Trustee sub-group to ensure that the Fund would continue to be run efficiently in the event that some of the Trustees become ill and unable to carry out their duties, although there has been no need so far for the sub-group to be activated. The Trustees continue to monitor developments relating to COVID-19 on the bases of guidance from the UK Government.

London Stock Exchange acquisition of Refinitiv

On 1 August 2019, London Stock Exchange Group Plc ('LSEG') announced that it had agreed with Thomson Reuters and the Blackstone consortium the acquisition of Refinitiv in an all share transaction. The transaction completed on 29 January 2021. The Trustees are in receipt of a guarantee dated 28 January 2021, signed by members of the Sponsoring Employer's group, whereby the financial obligations of the Fund's Sponsoring Employer have been guaranteed up to a maximum value of £700m.

Trustees' Report

Fund Membership

Details of the current membership of the Fund are given below:

	2020	2019
Active members	144	169
Deferred members	4,301	4,522
Pensioners	2,597	2,451
	<u>7,042</u>	<u>7,142</u>
 Active Members		
Active members at start of year	169	205
Adjustment to the opening balance	-	(8)
	<u>169</u>	<u>197</u>
Less: Retirements	(6)	(4)
Leavers – deferred benefits	(19)	(24)
	<u>144</u>	<u>169</u>
 Deferred Members		
Deferred members at start of year	4,522	4,704
Adjustment to the opening balance	(8)	2
	<u>4,514</u>	<u>4,706</u>
Plus: New deferred members	19	24
	<u>4,533</u>	<u>4,730</u>
Less: Retirements	(178)	(150)
Deaths	(2)	(5)
Commutated	(8)	(1)
Transfers out	(44)	(52)
	<u>4,301</u>	<u>4,522</u>

Trustees' Report

	2020	2019
Pensioners		
Pensioners at the start of year	2,451	2,322
Adjustment to the opening balance	7	3
	<u>2,458</u>	<u>2,325</u>
Plus: New pensioners	184	154
New spouses	18	23
New dependants	1	2
	<u>2,661</u>	<u>2,504</u>
Less: Deaths	(51)	(39)
Child pensions ceasing	(8)	(4)
Suspended	(5)	(10)
Pensioners at end of year	<u><u>2,597</u></u>	<u><u>2,451</u></u>

Included in the pensioner figure above are 400 (2019: 399) pensions covering spouses and dependants.

Included in the pensioner figure above are 86 (2019: 87) pensions covered by receipts from annuity providers.

Included in the pensioner figure above are 1,969 (2019: 2,015) pensions covered by the buy-in insurance policy provided by Canada Life.

Pension Increases

Pensions in payment received the following increases during the year in line with requirements under legislation and the Fund's Rules:

- Pensions earned before 6 April 1997 received a discretionary increase of 2.4% with effect from 1 January 2020 (2019: 2.5%). Discretionary increases were awarded by the Sponsoring Employer and Trustees for 2018 and will continue to be granted annually until 1 January 2024.
- Pensions earned between 6 April 1997 and 5 April 2005 received a statutory increase of 2.4% with effect from 1 January 2020 (2019: 3.3%).
- Pensions earned after 6 April 2005 received a statutory increase of 2.4% with effect from 1 January 2020 (2019: 2.5%).
- Post 88 GMP pensions in payment received an increase of 1.7% with effect from 1 January 2020 (2019: 2.4%).

Transfer Values

Transfer values paid during the year were calculated and verified in accordance with the appropriate regulations under the provision of the Pension Schemes Act 1993 and guidelines issued by the Institute of Actuaries. No transfer values were paid during the year which were less than the full value of the member's preserved benefits. No transfer values paid were reduced below the level calculated using tables supplied by the Fund Actuary.

No allowance is made for discretionary pension increases in the calculation of transfer values.

Trustees' Report

Financial Development of the Fund

The financial statements have been prepared and audited in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995.

During 2020 the member (employee) contribution rates (dependent on the accrual rate chosen by member) were either 6% or 9% of pensionable salary. The employer contribution rates payable were either 27.7% or 35.6% of the member's pensionable salary depending on the accrual rate chosen by the member. As part of the actuarial valuation as at 31 December 2019, the Trustees and Company agreed to increase the contributions the Company makes to the Fund in respect of members' future service benefits, from 1 January 2021, to 41.2% of members' Salaries for members with "60ths" benefits and 31.6% of members' Salaries for members with "80ths" benefits.

For members who elected to join the Pension Adjustment, member contributions reduced to nil with effect from June 2005 and the employer has met the cost of the corresponding member contributions.

The Summary of Contributions is set out on page 26.

The Fund met all expenses apart from the cost of externally insuring the lump sum death in service benefit provided by the Fund, which was met by the Sponsoring Employer. The Sponsoring Employer also contributed to the Fund the National Insurance savings it made through the Pension Adjustment.

	2020
	£'000
Contributions and other receipts	17,185
Benefits paid and other expenses	(75,232)
Net withdrawals from dealings with members	(58,047)
Net returns on investments	305,663
Net assets at start of year	2,610,581
Net assets at end of year	2,858,197

Additional Voluntary Contributions

Up to 31 March 2005, the Rules of the Fund permitted members to pay Additional Voluntary Contributions (AVCs) into the Fund and up until 5 April 2006 to arrangements with Prudential and/or Equitable Life (which were transferred to Utmost Life & Pensions on 1 January 2020), in order to augment their pensions or lump sum death benefits. After this date, the Refinitiv Retirement Plan (formerly Thomson Reuters UK Retirement Plan) ('RRP') was opened as an AVC vehicle for active members of the Fund and all new AVCs were invested in RRP.

AVCs paid on a money purchase basis prior to 6 April 2006 are held with Prudential or Utmost whilst other AVCs are retained in the Fund to secure a pension calculated as an extra percentage of pensionable salary on retirement.

Actuarial Valuation

A full actuarial valuation of the Fund was carried out by the Fund Actuary as at 31 December 2019 and disclosed that assets exceeded liabilities at that date, resulting in a surplus of £39 million. This was equivalent to a funding level of 102%.

A summary of the results of the full actuarial valuation is included in the Actuary's Report on pages 23 to 24. In addition, the Actuary's Certificates in respect of the adequacy of contributions payable towards the Fund, agreed as part of the valuation, is replicated on page 25 of this Report. The next formal actuarial valuation will be as at 31 December 2022.

Trustees' Report

Investment Matters

The investments referred to in this report include the Trustees' bank account and do not include AVC investments or other Insured Assets.

Investment sub-committee (ISC)

The ISC of the Trustee Board comprises Greg Meekings, Sue Clark, Graeme Ramsey, Geoffrey Sanderson and Andrew Perrin (Company Representative). Greg Meekings chairs the ISC. Andrew Perrin was replaced by Ava Lau as the Company Representative in March 2021.

Asset Allocation

The total value of the Fund's investments as at 31 December 2020 was approximately £2,194.5 million, including assets held in the Trustees' bank account but excluding the assets invested in a buy-in insurance policy with Canada Life. The distribution of the Fund's assets as at 31 December 2020 was as follows:

	Asset Classes	Market Value (£m)	Fund Distribution (%)
Bonds/Matching Assets	Liability Driven Investment	855.7	39.0
	Corporate Bonds	574.7	26.2
Growth Assets	Multi Class Credit	221.0	10.1
	Diversified Risk Premia	300.3	13.7
	Sustainable Equities	95.2	4.3
	Private Equity	29.5	1.3
	Emerging Market Debt	63.2	2.9
	Insurance-Linked Securities	47.3	2.2
	Property	0.1	-
Cash	Cash	0.3	-
	Cash (Trustees' bank account)	7.2	0.3
Total Fund		2,194.5	100.0

Source: Bank of New York Mellon. Figures may not total due to rounding and the exclusion of small residual holdings
Excludes buy-in insurance policy with Canada Life.

As at 31 December 2020, total values for AVCs and insurance policies were £2.7m and £664.9m, respectively.

Trustees' Report

Statement of Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP).

The SIP summarises how the Trustees:

- set the investment policy and choose the most suitable types of investments for the Fund;
- delegate buying and selling investments to the Fund's investment managers; and
- monitor the performance of the Fund's investments.

A copy of the Statement is available on request from the Fund Administrators at the address on page 2.

The Trustees have considered ethical and socially responsible investments and have delegated to the investment managers responsibility for taking environmental, social and governance (ESG) and ethical considerations into account when assessing the potential and suitability of investments and for exercising rights attaching to the Fund. The managers' duties also include voting and corporate governance in relation to the Fund's assets. The Trustees have reviewed each of the investment managers' policies on these issues and believe that the policies adopted by the managers are consistent with their own views.

The SIP was updated in July 2020 to reflect the Trustees' position on the above.

Investment Strategy and Manager Structure

The names of the managers who managed the Fund's investments during the year are listed on pages 3 and 4. The Trustees have delegated the day-to-day management of investment to their appointed fund managers. A written agreement between the Trustees and each manager sets out the terms on which the manager will act.

In November 2019, the ISC agreed to add Active Sustainable Equity in the portfolio. The intention was to better align the portfolio with the Trustees desire to manage risks relating to ESG factors, and to generate additional returns from ESG where possible. Active Sustainable Equity managers target companies who are well positioned to benefit from the transition to the more sustainable economy. The Fund invested £75m into the Impax Global Opportunities Fund – this was funded by disinvesting entirely from the Invesco Diversified Growth Fund. The allocation was executed in three tranches between April and June 2020.

The Fund extended the remit of BlackRock's implementation manager services in November 2019 to include the automatic rebalancing of collateral. Following the market volatility from COVID-19 (in March 2020), BlackRock and Redington (investment advisers) identified improvements to the collateral rebalancing mechanism to make it less sensitive to episodes of heightened market volatility. This was undertaken in order to ensure the continuation of efficient collateral management within the LDI portfolio. This was implemented in July 2020.

Trustees' Report

As at 31 December 2020 the Fund assets were invested with managers as follows:

		£m	Weight (%)
Active Management		598.9	27.2
Multi Class Credit	CQS	93.6	4.3
	TwentyFour	127.4	5.8
Property	CB Richards Ellis	0.1	-
Sustainable Equities	Impax	95.2	4.3
Diversified Risk Premia	Bridgewater	142.3	6.5
	Abbott Capital	18.1	0.8
Private Equity	Morgan Stanley	11.4	0.5
Emerging Market Debt	Stone Harbor	63.2	2.9
Cash	Bank of New York cash account	0.3	-
	Securis	2.4	0.1
Insurance-Linked Securities	Nephila Juniper	44.9	2.0
Passive Management		1,595.6	72.8
Corporate Bonds	L&G Buy and Maintain Credit	574.7	26.2
Liability Driven Investment	BlackRock Liability Matching	855.7	39.0
Diversified Risk Premia	AQR	158.0	7.3
Cash	Trustees' Bank Account	7.2	0.3
Total Fund		2,194.5	100.0

Source: Bank of New York Mellon and the corresponding investment managers. Figures may not total due to rounding. Excludes buy-in insurance policy with Canada Life and small residual holdings.

Investment Performance

Investment performance for years ended 31 December 2020 is set out below. Performance is shown net of investment manager fees and includes the effects of derivative swap hedging.

Years ended 31 December	Fund (%)	Benchmark (%)
1 year	15.67	18.77
3 year ¹	8.58	10.01
5 year ¹	12.97	13.13
10 year ¹	11.50	11.32

¹Annualised. Source: Bank of New York Mellon

Investment Manager Remuneration

The Trustees have entered into an agreement with each investment manager whereby its fee is based on the value of assets under its management with provision for additional performance related fees in some actively managed mandates.

Trustees' Report

Custody

The Fund's custodian is the Bank of New York Mellon. The custodian is responsible for the safe keeping of directly held securities and cash of the Fund. In addition, the custodian regularly reconciles the assets in its care with each of the investment managers and deals with other issues including dividends and coupon payments, tax reclaims and corporate actions.

The Trustees are ultimately responsible for ensuring that the Fund's assets continue to be held securely and they review the custody arrangements from time to time.

Marketability of Investments

There are no restrictions to the Fund selling the swaps/derivatives contracts, but the price would depend on the prevailing market conditions which may not be favourable to the Fund.

All liquid funds and open-ended funds with quarterly redemption options previously held in CBRE's European Property mandate have been exited. The remaining three positions within the portfolio are currently in run-off. The underlying managers are in the process of disposing these holdings and redemption proceeds are expected in 2021.

Redemptions from the Bridgewater fund are subject to a three-month notice period. After three months, investors can expect to receive redemption proceeds up to 1/3 of their total investment. For redemptions greater than 1/3 of the total account value, up to another 1/3 of the investment would be paid after six months, with any remainder paid after nine months. The fund has the ability to accelerate these payments. In this case, even a full redemption could be paid out in sooner than nine months.

The CQS mandate may be redeemed monthly with one month's notice required.

Redemption from the Stone Harbor Emerging Market Local Currency Debt Fund is permitted on daily dealing days. The prospectus allows for a 3% redemption charge to protect remaining investors in the Fund if transactions are significant (generally held to mean in excess of 10% of the fund value).

The TwentyFour mandate can be redeemed on any trading day with no restrictions.

The Impax mandate can be redeemed on any trading day if the redemption instruction is received no later than 17:00 (Dublin Time) on the relevant redemption date. The settlement period is 3 business days.

In relation to the private equity mandates, whilst there are no restrictions such as lock in periods or gate provisions as such, the private equity investments with Abbott Capital and Morgan Stanley are not in realisable marketable securities. There is seldom a liquid market for the underlying securities or funds, hence the only option would be to sell these investments in the secondary private equity market, which could be punitive for the Fund. The ability to sell these investments will depend on factors such as market conditions at the time of any sale.

The AQR mandate can be redeemed on any trading day if the instruction is received no later than 10:00am 5 business days prior to the trading day. Payment of the relevant proceeds will be made as soon as reasonably practicable after the relevant dealing day and normally within 10 business days.

The LGIM mandate can be redeemed on any trading day if the redemption instruction is received no later than 10:30am on the trade date. The settlement period is 5 business days. It should be noted that LGIM would be a price taker in this situation and that a longer disposal period would be advisable to minimise transaction costs.

The Nephila mandate can be redeemed on a quarterly basis with at least 90 days of prior notice given.

Redemption of the Securis investment was mandatory on the 31 December 2018. The remaining proceeds of this will likely be returned to RPF over 2021.

Trustees' Report

Derivative Policy

In addition to government bonds, the LDI manager uses interest rate and inflation derivatives for liability matching purposes. The LDI mandate is passively managed against a liability benchmark designed to represent the Fund's liability cashflows.

The Fund is invested in overseas assets to ensure the portfolio is adequately diversified and to widen the opportunity set for actively managed investment strategies. The Trustees have implemented a currency hedging programme (using currency forward contracts) to reduce the impact of exchange rate fluctuations, which are considered an unrewarded risk over the long term.

Some of the active investment managers that are employed by the Fund employ other derivative instruments (such as futures and options) to facilitate efficient portfolio management; allowing short-term, low-cost exposure to certain markets.

Employer-related investments

There were no directly or indirectly held employer-related investments at the year end (2019: none).

Trustees' Report

Implementation Statement

Introduction

Under new regulatory requirements now in force, the Trustee is required to produce an annual Implementation Statement setting out how voting and engagement policies in the Statement of Investment Principles (the "SIP") have been implemented. This is the first such statement produced. This document also includes a brief summary of updates to the SIP over the reporting period.

This document has been prepared by the Trustees of the Reuters Pension Fund, covering the period 1 January 2020 to 31 December 2020. This time period has been covered in order to report up to the end of the Scheme year on the regulations that came into force in October 2019. As this is the first Implementation Statement to be produced by the Trustee, it is expected to evolve over time.

The document looks to set out how the Trustees' policy on stewardship and engagement has been implemented during the reporting period. Where relevant, the document describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustees' opinion on the outcomes of voting and engagement activity for managers that hold listed equities, where stewardship and engagement are most relevant within the portfolio.

Overall, the Trustees are comfortable that the voting and engagement policies set out in the SIP have been properly adhered to over the period.

Changes to the SIP over the period

Changes to the SIP were made in July 2020 to comply with new regulation, specifically the incorporation of the Shareholder Rights II Directive ('SRD II') into UK law, which requires defined benefit pension scheme SIPs to be updated to include further details on:

- The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustees' policies and how the Trustee will monitor managers' performance, fees and portfolio costs.
- Engagement policy, including the exercise of the rights (including voting rights) attaching to the investments.

SRD II applies more widely than just to pension schemes and the directive aims to further encourage appropriate long-term investment decision-making and engagement.

Stewardship, engagement and voting behaviour

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustees own shares and debt is carried out by the Fund's investment managers. The Trustees' ability to influence investment managers' stewardship activities will depend on the nature of the investments held.

The majority of the Scheme's non-LDI assets are invested in pooled funds where the Trustees hold units in a fund rather than having any direct ownership rights over the underlying assets. Accordingly, the Trustees' policy is to delegate responsibility for engagement, which includes the exercising of rights (including voting rights) attached to investments, to the relevant investment managers. The Trustees expect all of their investment managers to practise good stewardship and seeks to choose managers that align with its beliefs regarding this. When selecting new managers, the Trustees' Investment Consultant assesses the ability of each investment manager to engage with underlying companies to promote their long-term success. Additionally, if a manager's approach is deemed to be inadequate, the Trustees will engage with the investment manager to better align it with the Trustees' policy.

Stewardship and engagement (including the use of voting rights) is most likely to be financially material in the sections of the portfolio where physical equities are held (Impax Global Equity Opportunities, Bridgewater

Trustees' Report

Optimal II, and AQR Diversified Risk Premia). For the relevant managers that invest in physical equity, further details and an overview of votes cast during the year are provided in the appendix. Engagement is also considered to be of importance for the Fund's other investment managers, though data to evidence their approach is more difficult to obtain.

The Trustees are comfortable that the voting and engagement policies have all been adequately followed over the reporting period, noting a number of recent changes to regulations in this area and that disclosures are likely to improve over time. Additionally, when selecting Impax Global Opportunities (April 2020 inception), the manager's approach to stewardship and engagement in respect of Environmental, Social and Governance risks were identified as advantageous versus alternative implementation options.

Appendix – Voting disclosure tables

Below is the voting activity over the period for the Fund's asset managers which held listed equities over the period. Where significant votes have been identified by managers, a single vote has been selected to ensure the Statement remains concise, further examples can be provided upon request. The Trustees are comfortable with these details, and will continue to disclose this information in the next iteration of the Implementation Statement.

Impax Global Equity Opportunities

Key Voting Statistics (April 2020 – Dec 2020)	Number
Number of holdings at period end	39
Value of Trustee's Assets	£95m
Number of meetings eligible to vote during the period	35
Number of resolutions eligible to vote during the period	35
% of resolutions voted	100.0%
% of resolutions voted with management	94.7%
% of resolutions voted against management	0.0%
% of resolutions abstained	5.1%
% of meetings with at least one vote against management	28.6%
% of resolutions where manager voted contrary to recommendation of proxy adviser	1.6%
Any use of proxy voting services during the period	Impax has engaged Glass, Lewis & Co. ("Glass Lewis") to facilitate voting execution, record keeping, and to help inform its analysis of relevant proxy issues and proxy votes.

Trustees' Report

Example of a significant vote	
Company name	IPG Photonics Corp (Meeting Date: 28/05/2020)
Approximate value of holding at time of vote	2.49% (31/05/2020)
Is this one of your top 5 (or 10) holdings?	No
Summary of resolution	Elect Eric Meurice
How manager voted?	Withhold
Where manager voted against management, did the manager communicate intent to company ahead of vote?	Engaged with the company afterwards
Rationale (brief) for voting decision	Lack of gender diversity at the board level (11%)
Outcome of vote	Passed
Implications of outcome – eg manager's lessons learned and likely future steps in response, in line with the new Stewardship Code reporting framework	Successful meeting with a member of the recently set up CSR team in the week after the vote. Impax covered various ESG topics as well as Board gender diversity concerns. Impax shared relevant sustainability research, as well as gender diversity research. Continued engagement planned to help develop diversity at the company.
On which criteria – with reference to PLSA pack/guidance – has the manager assessed this vote to be "significant"?	Material to company's corporate governance – Board-related
Consistent with RPF's view of significant voting matters?	Yes – there's significant research to suggest that board diversity can be financially material.

AQR Diversified Risk Premia

Key Voting Statistics (Jan 2020 – Dec 2020)	Number
Number of holdings at period end	2,151
Value of Trustee's Assets	£158m
Number of meetings eligible to vote during the period	538
Number of resolutions eligible to vote during the period	6,349
% of resolutions voted	94.2%
% of resolutions voted with management	93.4%
% of resolutions voted against management	6.6%
% of resolutions abstained	0.0%
% of meetings with at least one vote against management	28.1%
% of resolutions where manager voted contrary to recommendation of proxy adviser	0.1%
Any use of proxy voting services during the period	AQR utilises Institutional Shareholder Services' Sustainable proxy voting policy for all of their commingled funds and for their default vote-handling program, but they also leverage internal proprietary research on proxy issues related to significant corporate actions and in making individual voting decisions.

- Please note – AQR does not differentiate between significant or non-significant votes. While AQR does not categorize votes (and generally vote all proxies), AQR's portfolio companies may request reactive engagement on certain votes based on their assessment of significance.

Trustees' Report

Bridgewater Optimal II

Key Voting Statistics (Jan 2020 – Dec 2020)	Number
Number of holdings at period end	2,033
Value of Trustee's Assets	£199m
Number of meetings eligible to vote during the period	2,308
Number of resolutions eligible to vote during the period	21,131
% of resolutions voted	99.6%
% of resolutions voted with management	85.0%
% of resolutions voted against management	13.9%
% of resolutions abstained	1.8%
% of meetings with at least one vote against management	46.0%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	0.0%
Any use of proxy voting services during the period?	Bridgewater has engaged Glass, Lewis & Co. ("Glass Lewis") to vote proxies on behalf of their clients.

- *Please note – Bridgewater has not adopted a policy for identifying "significant votes" as their view is that any particular voting matter's outcome is considered as inconsequential in the context of the overall portfolio.*

Trustees' Report

Compliance Matters

The purpose of this section is to provide information, voluntarily by the Trustees.

The Money and Pensions Service

With effect from 1 January 2019, The Money and Pensions Service ("MAPS") brings under one new organisation the services delivered by The Pensions Advisory Service ("TPAS"), the Money Advice Service and Pension Wise providing information to the public on matters relating to workplace and personal pensions. Money and Pensions Service, 120 Holborn, London, EC1N 1TD

Telephone: 0115 965 9570

Email: contact@maps.org.uk

Web: <https://moneyandpensionservices.org.uk>

Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Fund in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Trust and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. The Pensions Ombudsman may be contacted at: 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU

Telephone: 0800 917 4487

Early resolution email: helpline@pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

Pension Tracing Service

A register is maintained to help current or former members to trace their pension rights. The Fund is registered and relevant details have been given to the Regulator who can be contacted at: Pensions Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

Telephone: 0800 731 0193

Web: <https://www.gov.uk/find-lost-pension>

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisors have failed in their duties. The contact details are: The Pensions Regulator, Napier House, Trafalgar Terrace, Brighton, BN1 4DW

Telephone: 0345 600 7060

Web: www.thepensionsregulator.gov.uk

Email: customersupport@tpr.gov.uk

Trustees' Report

Statement of Trustees' responsibilities

The Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

The Trustees are also responsible for making available certain other information about the Fund in the form of an annual report.

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

The Trustees are also responsible for the maintenance and integrity of the Reuters Pension Fund website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees' responsibilities in respect of contributions

The Trustees are 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 to the Fund by or on behalf of employers and the active members of the Fund and the dates on or before which such contributions are to be paid.

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

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

Trustees' Report

Contact for Further Information

Any enquiries or complaints about the Fund, including requests from individuals for information about their benefits or Fund documentation, should be sent to:

Refinitiv Member Services Centre
Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington DL1 9YT

Tel: UK: 0800 0778 250
Overseas: +44(0) 114 2738397
Email: refinitivpensions@capita.co.uk
Members' website: www.hartlinkonline.co.uk/rpf
Trustees' website: www.reuterspensionfund.co.uk

Approval

The Trustees' Report on pages 6 to 22 were approved by the Trustees of the Reuters Pension Fund and signed on their behalf by:

Greg Meekings

Trustee Director

6 July 2021

Date

Report on Actuarial Liabilities

I carried out an actuarial valuation of the Fund as at 31 December 2019, the main purpose of which was to review the Fund's financial strength at that date. The valuation was carried out under the requirements of the Pensions Act 2004. It used various measures and covered both members' past service benefits (i.e. pensions arising from service with the Company up to the date of valuation) and future service benefits (i.e. pensions which will arise from service with the Company after the valuation date).

The following is a summary of the results and assumptions used at the valuation date.

The financial strength of the Fund, assessed using assumptions about future events agreed by the Trustees and the Company as being appropriate to meet member benefits (assuming the Fund continues as a "going concern"), was 102% in respect of past service benefits:

	2019
	£m
Liabilities*:	(2,532)
Assets:	<u>2,571</u>
Past service funding surplus	39
Funding level:	102%

*under the Pensions Act 2004, these are referred to as "technical provisions"

The 31 December 2019 valuation was undertaken using a yield curve approach. Under this approach different assumptions would be used to value the benefits depending on when they are paid. For example, different assumptions are used to value a benefit payable in 5 years-time compared to a benefit payable in 20 years-time. Full details of the yield curves used to value the liabilities can be found in my formal report dated 26 November 2020. A high-level summary of how the key assumptions were derived is described below.

Discount rate	Fixed interest gilt curve at valuation date plus 0.25 % p.a.
Rate of salary increases (in addition to promotional increases)	CPI inflation plus 1.0 % p.a.
Rate of price increases - Retail Prices Index (RPI) - Consumer Prices Index (CPI)	Derived from the Bank of England implied inflation curve at valuation date. RPI inflation less 0.8 % p.a.
Pension increases - Inflation with a cap of 5% p.a. - Inflation with a cap of 2.5% p.a. - discretionary	Derived from price inflation assumptions with allowance for caps and floors and assuming inflation volatility to be in line with the Scheme Actuary's best estimate assumption
Deferred pension revaluations - CPI inflation capped at an average of 5% p.a. - CPI inflation capped at an average of 2.5% p.a.	Derived from price inflation assumptions with allowance for caps
Life expectancy - member currently aged 62 - member currently aged 42 on reaching age 62	87.8 (males), 89.8 (females) 89.4 (males), 91.5 (females)
GMP equalisation	A reserve of 0.4% of the liabilities has been included in the technical provisions as an approximate cost of GMP equalisation

Note: I have taken into account the agreement by the Trustees and the Company to provide annual increases to pre 1997 pensions in payment in excess of GMPs until 1 January 2024, as explained in my formal actuarial valuation report.

Report on Actuarial Liabilities

The financial strength of the Fund assessed against the estimated cost of securing past service benefits with an insurance company was approximately 86%.

As part of the actuarial valuation as at 31 December 2019, the Trustees and Company agreed to increase the contributions the Company makes to the Fund in respect of members' future service benefits, from 1 January 2021, to 41.2% of members' Salaries for members with "60ths" benefits and 31.6% of members' Salaries for members with "80ths" benefits.

Expenses

A new Schedule of Contributions was signed on 26 November 2020, which sets out the contributions the Company will pay to the Fund to meet expenses. The Company paid £1.633m in 2020 and agreed to pay £2.427m in 2021, £2.457m in 2022, £2.487m in 2023, £2.490m in 2024 and £2.512m in 2025 to the Fund in order to cover the following expenses:

- Administration expenses, including actuarial, legal, audit, investment consultancy and other professional fees and any sundry expenses. Investment manager fees are not covered by this amount as they are met separately by the Fund; and
- Levies payable in respect of the Pension Protection Fund (PPF) and any other levies collected by the Pensions Regulator.

The Company will also meet the cost of contributions in respect of National Insurance savings and contributions that would otherwise have been paid by members participating in the Pension Adjustment Scheme; and any insurance company premiums required for insuring the lump sum death in service benefits.

This report relates to the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate.

Full details of the valuation results are set out in my formal report dated 26 November 2020. This report should be read in conjunction with the formal report, including the statements on the purpose, scope and limitations of reliance on my advice and may only be relied upon by the Trustees.

The next formal actuarial valuation is due to be carried out at 31 December 2022.

Jonathan Wicks FIA
Aon Solutions UK Limited
122 Leadenhall Street
London EC3V 4AN

Actuary's Certification of the Schedule of Contributions

Name of Fund: Reuters Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2019 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 26 November 2020.

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.

Signature: **Jonathan Wicks**

Date: 26 November 2020

Name: Jonathan Wicks

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: The Aon Centre
122 Leadenhall Street
London
EC3V 4AN

Name of employer: Aon Solutions UK Limited

Summary of Contributions for the Year Ended 31 December 2020

During the year ended 31 December 2020, the contributions payable to the Fund were as follows:

£'000

Employer

- Normal	5,952
- Additional – expense contributions	1,633

Employee

- Normal	142
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Contributions payable under the Schedules of Contributions and as reported on by the Fund auditor

7,727

Reconciliation of contributions payable under the Schedules of Contributions to contributions reported in the financial statements in respect of the Fund year ended 31 December 2020

£'000

Contributions payable under the Schedules (as above)	7,727
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Employer

- Additional – pension increases agreement	9,100
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Total contributions reported in the financial statements

16,827

Approved by the Trustees and signed on their behalf by:

Greg Meekings

6 July 2021

Trustee Director

Date

Independent auditors' statement about contributions to the Trustees of Reuters Pension Fund

Statement about contributions

Opinion

In our opinion, the contributions payable under the schedules of contributions for the Fund year ended 31 December 2020 as reported in Reuters Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Fund actuary on 25 November 2019 and 26 November 2020.

We have examined Reuters Pension Fund's summary of contributions for the Fund year ended 31 December 2020 which is set out on the previous page.

Basis for opinion

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 Fund under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustees in respect of contributions

As explained more fully in the statement of Trustees' responsibilities, the Fund's Trustees are 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 Fund by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees 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.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date

Independent auditors' report to the Trustees of Reuters Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion, Reuters Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2020, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Trustees' Annual Report and Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 31 December 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all the information in the Trustees' Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions.

Independent auditors' report to the Trustees of Reuters Pension Fund

The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustees are also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Fund, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Fund and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Fund in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustees and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.

Independent auditors' report to the Trustees of Reuters Pension Fund

- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustees to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees 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.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date

Fund Account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Employer contributions		16,685	17,522
Employee contributions		142	140
Total contributions	4	16,827	17,662
Transfers from other plans	5	355	772
Other income	6	3	165
		17,185	18,599
Benefits paid or payable	7	(45,023)	(43,484)
Transfers to other plans	8	(27,978)	
Payments to and on account of leavers	9	(156)	(30,283)
Administrative expenses	10	(2,075)	(1,916)
		(75,232)	(75,683)
Net (withdrawals) from dealings with members		(58,047)	(57,084)
Returns on investments			
Interest payable	11	(5,949)	(8,984)
Investment income	12	70,905	76,144
Change in market value of investments	13	243,908	219,297
Investment management expenses	19	(3,201)	(4,506)
Net returns on investments		305,663	281,951
Net increase in the Fund during the year		247,616	224,867
Net assets of the Fund at 1 January		2,610,581	2,385,714
Net assets of the Fund at 31 December		2,858,197	2,610,581

The accompanying notes on pages 33 to 53 are an integral part of these financial statements.

Statement of Net Assets available for benefits as at 31 December 2020

	Note	2020 £'000	2019 £'000
Investment assets:	13		
Equities	14	6	5
Bonds	14	1,781,512	1,613,269
Pooled investment vehicles	14	790,052	779,673
Qualifying investment fund	14	574,664	529,487
Derivatives	15	131,803	116,855
Insurance policies	20	664,892	670,819
AVC investments	21	2,737	2,893
Cash	13	-	14,470
Accrued income	13	7,192	8,055
Cash in transit	13	66	69
		3,952,924	3,735,595
Investment liabilities:	13		
Derivatives	15	(90,646)	(63,905)
Cash	13	(28,658)	(57,516)
Amounts due under repurchase agreements	16	(978,612)	(1,005,407)
Total net investments		2,855,008	2,608,767
Current assets	24	7,512	5,108
Current liabilities	25	(4,323)	(3,294)
Net assets of the Fund at 31 December		2,858,197	2,610,581

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 23 and 24 of the Annual Report, and these financial statements should be read in conjunction with this report.

The accompanying notes on pages 33 to 52 are an integral part of these financial statements.

These financial statements were approved by the Trustees and signed on their behalf by:

Greg Meekings

6 July 2021

Trustee Director

Date

Notes to the Financial Statements

1. Basis of preparation

The individual financial statements of Reuters Pension 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 June 2018) ("the SORP").

2. Identification of the financial statements

The Fund is a defined benefit arrangement established as a trust under English Law. The Fund is closed to new members. The registered address of the Fund is Five Canada Square, Canary Wharf, London, E14 5AQ.

3. Accounting policies

The principal accounting policies of the Fund are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated:

Contributions

Employee normal contributions are accounted for when they are deducted from pay by the Employer.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedules of Contributions in force during the year.

Employer deficit contributions, expense contributions and other additional contributions are accounted for in accordance with the agreement under which they are payable, paid or in the absence of an agreement, in the period in which they are received.

Life assurance receipts

Life assurance receipts are accounted for on an accruals basis when they fall due.

Transfers to and from other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to other pension schemes for members who have left the Fund. They are accounted for on an accrual basis on the date the trustees of the receiving scheme accept the liability. The liability normally transfers when payment is made, unless the trustees of the receiving scheme have agreed to accept liability in advance of receiving the funds.

Payments to members

Benefits are accounted for on the later of the period in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, the date of retiring, leaving or notification of death is used.

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

Where the Trustees are required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Fund, this is shown separately within benefits.

Notes to the Financial Statements

3. Accounting policies (continued)

Investment management, administrative and other expenses

All investment management and administrative expenses are met by the Fund and accounted for on an accruals basis, net of recoverable VAT.

Interest payable on repurchase agreement contracts is accounted for on an accruals basis.

Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Income from pooled investment vehicles is accounted for when declared by the fund manager. Where pooled investment managers reinvest investment income, this is treated as accumulating within the fund value.

Income from qualifying investment funds is accounted for as investment income on an accruals basis.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on the purchase and sale of bonds.

Investments

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 during the year.

Investments are included at fair value as described below:

The Qualifying Investment Fund (QIF) is accounted for on the fair value of the underlying assets as set out for each of the asset types that are held within it.

Quoted securities in active markets are valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of bonds and is included in invested income receivable.

Pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Over the counter (OTC) derivatives are valued using the following valuation techniques:

Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.

Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Exchange traded futures are valued at the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Notes to the Financial Statements

3. Accounting policies (continued)

Investments (continued)

The Trustees hold annuity policies with Friends Life and Canada Life Limited that secure the pensions payable to specified beneficiaries. These policies have been valued by Aon, the Fund Actuary. Both policies have been valued on the technical provisions assumptions agreed for the 31 December 2019. Further details of the technical provisions assumptions used is set out below.

The technical provisions financial assumptions use a yield curve approach to value the annuities. Under this approach different assumptions would be used to value the benefits depending on when they are paid. For example, different assumptions are used to value a benefit payable in 5 years' time compared to a benefit payable in 20 years' time.

A description of the key financial and demographic assumptions is set out below.

Technical provisions assumption	Description
Discount rate	Derived from the Bank of England UK fixed interest gilt yield curve plus 0.25 % p.a.
Retail Price Index inflation	Derived from the difference between the Bank of England UK fixed and UK index-linked gilt yield curves
Consumer Price Index inflation	RPI inflation assumption less 0.9 % p.a.
Pension increases in payment	Derived from the price inflation assumptions with allowance for appropriate caps and floors and assuming inflation volatility to be in line with the Scheme Actuary's best estimate assumption
Life expectancy:	
- member currently aged 62	88.0 (males), 90.1 (females)
- member currently aged 42 on reaching age 62	89.7 (males), 91.9 (females)

The Trustees have determined that there are no other annuity policies held in the name of the Trustees.

AVC investments are included at fair value as provided by the AVC investment managers.

Amounts repayable under repurchase agreements which are still to mature at the year-end date are reflected within other investment liabilities at fair value as provided by the investment manager.

Cash includes cash and cash equivalents which are included at fair value provided by the investment manager.

Critical accounting estimates and judgements

The Trustees make estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, the Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above.

Notes to the Financial Statements

3. Accounting policies (continued)

Presentation currency

The Fund's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Fund year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

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

Taxation

The Fund is registered under the Finance Act 2004. Prior to the introduction of this Act, the Fund was an "exempt approved scheme" under the terms of the Income and Corporation Taxes Act 1988.

4. Contributions

	2020 £'000	2019 £'000
Employer contributions		
Normal	5,952	6,822
Additional – pension increases agreement	9,100	9,067
Additional – expense contributions	1,633	1,633
	<u>16,685</u>	<u>17,522</u>
Employee contributions		
Normal	142	140
	<u>16,827</u>	<u>17,662</u>

Employer normal contributions include salary sacrifice contributions made in respect of members during the year.

Additional Employer contributions have been received during the year in respect of an agreement reached between the Sponsoring Employer and Trustees in respect of annual cost of living pension increases. The additional contributions received in respect of those increases are outside of any agreed recovery plan.

Under the Schedule of Contributions dated 26 November 2020 the Sponsoring Employer agreed to pay £1.633m per annum to cover the cost of administrative expenses met by the Fund with effect from 1 January 2019. This amount had already been received by the Fund on 18 June 2020.

Notes to the Financial Statements

5. Transfers from other plans

	2020 £'000	2019 £'000
Transfers from Refinitiv Retirement Plan	280	772
Transfers from other plans	75	-
	<u>355</u>	<u>772</u>

6. Other income

	2020 £'000	2019 £'000
Claims on term insurance policies	-	165
Compensation	3	-
	<u>3</u>	<u>165</u>

7. Benefits paid or payable

	2020 £'000	2019 £'000
Pensions	34,719	32,339
Commutations of pensions and lump sum retirement benefits	9,919	10,218
Lump sum death benefits	15	503
Purchase of annuities	6	-
Taxation where lifetime or annual allowance exceeded	364	424
	<u>45,023</u>	<u>43,484</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

8. Transfers to other plans

	2020 £'000	2019 £'000
Transfers to Refinitiv Retirement Plan	164	-
Transfers to Reuters Supplementary Pension Scheme	2,100	-
Transfers to other plans	25,714	30,264
	<u>27,978</u>	<u>30,283</u>

Notes to the Financial Statements

9. Payments to and on account of leavers

	2020 £'000	2019 £'000
Contributions Equivalent Premium payments to HMRC	-	19
Pension sharing on divorce	156	-
	<u>156</u>	<u>19</u>

10. Administrative expenses

	2020 £'000	2019 £'000
Administration and processing	421	353
Actuarial fees	967	862
Audit fees	24	50
Professional fees	459	373
PPF Levy	46	137
Trustees' fees	122	102
Levies and general expenses	36	38
Bank charges	-	1
	<u>2,075</u>	<u>1,916</u>

All administrative expenses are met by the Fund.

11. Interest payable

	2020 £'000	2019 £'000
Interest payable	<u>5,949</u>	<u>8,984</u>

The Fund incurs interest at money market rates payable on monies advanced to it under repurchase agreement contracts entered into. These advances are secured on the Fund's existing bond portfolio.

12. Investment income

	2020 £'000	2019 £'000
Income from bonds	22,914	23,805
Income from pooled investment vehicles	134	5,276
Income from qualifying investment fund	18,671	18,455
Annuity income	29,183	28,580
Interest on cash deposits	3	28
	<u>70,905</u>	<u>76,144</u>

Notes to the Financial Statements

13. Reconciliation of net investments

	Value as at 01 January 2020	Purchases and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value as at 31 December 2020
	£'000	£'000	£'000	£'000	£'000
Equities	5	-	-	1	6
Bonds	1,613,269	155,810	(201,942)	214,375	1,781,512
Pooled investment vehicles	779,673	447,637	(437,546)	288	790,052
Qualifying investment fund	529,487	82,854	(64,208)	26,531	574,664
Derivatives - net	52,950	2,061,545	(2,080,566)	7,228	41,157
Insurance policies	670,819	-	(1,360)	(4,567)	664,892
AVCs	2,893	-	(208)	52	2,737
	<u>3,649,096</u>	<u>2,747,846</u>	<u>(2,785,830)</u>	<u>243,908</u>	<u>3,855,020</u>
Cash & equivalents	(43,046)				(28,658)
Cash in transit	69				66
Accrued income	8,055				7,192
Repurchase agreements	(1,005,407)				(978,612)
	<u>2,608,767</u>				<u>2,855,008</u>

Cash & equivalents of -£28.6m comprises -£29.1m (2019: -£43.9m) relating to the variation margin in the BlackRock LDI portfolio and £0.5m (2019: £0.9m) of other cash balances with investment managers.

The figures above take into account the cumulative value of movements within the year.

Pooled investment vehicles are operated by companies registered in the UK, USA, Bermuda, Luxembourg and Ireland.

The qualifying investment fund (QIF) is an investment vehicle for which the Fund is the sole investor.

The movement in purchase and sales of investments in the year have been impacted by the strategic positioning by the Trustees of the assets and liabilities.

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs, including costs charged to the Fund such as fees, commissions and stamp duty were £nil (2019: £nil).

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

Notes to the Financial Statements

14. Investment assets and liabilities

Analysis of investment assets and liabilities

	2020 £'000	2019 £'000
Equities		
Overseas	6	5
Bonds		
Bonds	1,781,512	1,613,269
Pooled investment vehicles		
Sustainable equities	95,175	97,361
Property	18	128
Multi-class credit	220,994	194,979
Private equity	29,433	35,011
Diversified risk premia	300,336	287,167
Insurance-linked securities	47,314	58,542
Emerging market debt	63,179	53,041
Cash	33,603	53,444
	790,052	779,673
Qualifying investment fund		
Bonds	538,977	517,913
Pooled investment vehicles	29,347	5,184
Cash	93	135
Derivatives	2	5
Accrued income	6,245	6,250
	574,664	529,487
Other investment assets		
Derivatives	131,789	116,855
AVC Investments	2,737	2,893
Insurance policies	664,892	670,819
Cash and equivalents	66	14,539
Accrued income	7,192	8,055
	806,676	813,161
Total investment assets	3,952,910	3,735,595
Investment liabilities		
Cash and equivalents	(28,658)	(57,516)
Repurchase agreements	(978,612)	(1,005,407)
Derivatives	(90,632)	(63,905)
Total investment liabilities	(1,097,902)	(1,126,828)
Total net investments	2,855,008	2,608,767

Notes to the Financial Statements

15. Derivatives

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Futures	186	(6)	637	(12)
Forward foreign currency contracts	5,851	-	5,171	-
Swaps	125,752	(90,626)	111,047	(63,893)
	131,789	(90,632)	116,855	(63,905)
		41,157		52,950

In addition to government bonds, the LDI manager uses interest rate and inflation derivatives for liability matching purposes. The LDI mandate is passively managed against a liability benchmark designed to represent the Fund's liability cashflows.

The Fund is invested in overseas assets to ensure the portfolio is adequately diversified and to widen the opportunity set for actively managed investment strategies. The Trustees have implemented a currency hedging programme (using currency forward contracts) to reduce the impact of exchange rate fluctuations, which are considered an unrewarded risk over the long term.

Some of the active investment managers that are used by the Fund employ other derivative instruments (such as futures and options) to facilitate efficient portfolio management, allowing short-term exposure to certain markets.

The Trustees have authorised the use of derivative financial instruments by their investment managers as part of their investment strategy.

Analysis of derivative contracts**Futures – exchange traded**

Nature	Expiration	2020	2020		2019	
		Notional Amount £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
US treasury bond future	March 2021	21,792	184	-	622	-
US 10 year treasury note future	March 2021	1,111	1	-	-	(11)
US 2 year treasury note future	March 2021	485	1	-	-	(1)
US 5 year treasury note future	March 2021	(2,769)	-	(6)	15	-
			186	(6)	637	(12)

Notes to the Financial Statements

15. Derivatives (continued)

Forward foreign currency contracts - Over the counter

Expiration	No. of contracts	2020		2020		2019	
		Currency Bought £'000	Currency Sold £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Within 3 months	6	GBP 269,701	USD 360,803	5,851	-	5,171	-
				5,851	-	5,171	-

Swaps – Summary

Type of swap	2020		2019		
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	
Zero coupon	99,802	(63,175)	91,534	(48,102)	
Over the counter inflation	930	(10,118)	59	(5,460)	
Over the counter interest rate	25,020	(17,333)	19,454	(10,331)	
		125,752	(90,626)	111,047	(63,893)

Swaps – Zero coupon

Expiration - years	2020		2020		2019	
	No. of contracts	Principal £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
< 5	5	52,399	4,405	(21,903)	2,167	(20,530)
5 to 10	6	170,704	16,492	(18,034)	5,004	(2,262)
10 to 30	10	104,657	58,264	(23,238)	76,672	(25,299)
> 30	1	80,210	20,641	-	7,691	(11)
			99,802	(63,175)	91,534	(48,102)

Notes to the Financial Statements

15. Derivatives (continued)

Swaps – Over the counter inflation

Expiration - years	2020	2020	2020	2019		
	No. of contracts	Principal £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
< 5	3	18,538		(1,071)	-	(272)
5 to 10	4	26,710	-	(1,626)	59	(962)
10 to 30	6	74,750	930	(7,421)	-	(4,226)
			930	(10,118)	59	(5,460)

Swaps – Over the counter interest rate

Expiration - years	2020	2020	2020	2019		
	No. of contracts	Principal £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
< 5	6	81,346	164	(3,313)	43	(4,195)
5 to 10	11	181,432	24,157	(7,363)	19,411	(2,201)
10 to 30	12	55,048	659	(6,657)	-	(3,935)
> 30	1	314	40	-	-	-
			25,020	(17,333)	19,454	(10,331)

Total collateral assets of £48.5m (2019: £1,027m) have been pledged in respect of the derivative positions in the Liability Driven investment portfolio. £0.9m (2019: none) have been held.

16. Amounts due under repurchase agreements

Repayment Date	2020			2019	
	Notional £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Within 3 months	-	-	-	-	(185,265)
Within 4 to 6 months	(844,970)	-	(845,849)	-	(331,024)
Within 7 to 9 months	(132,619)	-	(132,763)	-	(340,336)
Within 10 to 12 months	-	-	-	-	(148,782)
			(978,612)	-	(1,005,407)

At the year-end £997,525,465 (2019: £1,011,929,365) of bonds reported in Fund assets are held by counterparties under repurchase agreements.

Notes to the Financial Statements

17. Concentration of investment

The following investments represent more than 5% of the total value of the net assets of the Fund.

Investment	2020		2019	
	Market Value £'000	Percentage of Net Assets %	Market Value £'000	Percentage of Net Assets %
Canada Life annuity policy	660,300	23.1	665,000	25.5
Bridgewater Pure Alpha Sterling fund	142,296	5.0	142,085	5.4
AQR Diversified Risk Premia fund	158,040	5.5	145,081	5.6
Legal & General – Qualifying investment fund	574,664	20.1	529,487	20.3

There was no stock lending during the year, apart from the limited stock lending activity carried out by Legal & General as part of the investment strategy of its pooled funds.

18. Marketability of investments

There are no restrictions to the Fund selling the swaps/derivatives contracts, but the price would depend on the prevailing market conditions which may not be favourable to the Fund.

All liquid funds and open-ended funds with quarterly redemption options previously held in CBRE's European Property mandate have been exited. The remaining three positions within the portfolio are currently in run-off. The underlying managers are in the process of disposing these holdings and redemption proceeds are expected in 2020.

Redemptions from the Bridgewater fund are subject to a three-month notice period. After three months, investors can expect to receive redemption proceeds up to 1/3 of their total investment. For redemptions greater than 1/3 of the total account value, up to another 1/3 of the investment would be paid after six months, with any remainder paid after nine months. The fund has the ability to accelerate these payments. In this case, even a full redemption could be paid out in sooner than nine months.

The CQS mandate may be redeemed monthly with one month's notice required.

Redemption from the Stone Harbor Emerging Market Local Currency Debt Fund is permitted on daily dealing days. The prospectus allows for a 3% redemption charge to protect remaining investors in the Fund if transactions are significant (generally held to mean in excess of 10% of the fund value).

The TwentyFour mandate can be redeemed on any trading day with no restrictions.

The Invesco mandate can be redeemed on any trading day if the redemption instruction is received no later than 10:30am on the trade date. The settlement period is 5 business days.

Notes to the Financial Statements

18. Marketability of investments (continued)

In relation to the private equity mandates, whilst there are no restrictions such as lock in periods or gate provisions as such, the private equity investments with Abbott Capital and Morgan Stanley are not in realisable marketable securities. There is seldom a liquid market for the underlying securities or funds, hence the only option would be to sell these investments in the secondary private equity market, which could be punitive for the Fund. The ability to sell these investments will depend on factors such as market conditions at the time of any sale.

The AQR mandate can be redeemed on any trading day if the instruction is received no later than 10:00am 5 business days prior to the trading day. Payment of the relevant proceeds will be made as soon as reasonably practicable after the relevant dealing day and normally within 10 business days.

The LGIM mandate can be redeemed on any trading day if the redemption instruction is received no later than 10:30am on the trade date. The settlement period is 5 business days. It should be noted that LGIM would be a price taker in this situation and that a longer disposal period would be advisable to minimise transaction costs.

The Nephila mandate can be redeemed on a quarterly basis with at least 90 days of prior notice given.

Redemption of the Securis investment was mandatory on the 31 December 2018. The proceeds of this will be returned to RPF over 2020.

19. Investment management expenses

	2020	2019
	£'000	£'000
Investment management fees	2,743	4,053
Investment consultancy fees	458	453
	<u>3,201</u>	<u>4,506</u>

There were no amounts paid in respect of performance related fees.

20. Insurance policies

The Fund held insurance policies at the year end as follows:

	2020	2019
	£'000	£'000
Equitable Life Money Purchase (with-profits)	-	385
Equitable Life Money Purchase (unit linked)	-	873
Utmost Life & Pensions (unit linked)	1,034	-
Prudential Money Purchase (with-profits)	718	780
Prudential Money Purchase (unit linked)	2,643	3,556
Canada Life Annuity Policy	660,300	665,000
Friends Life Annuity policy	197	225
	<u>664,892</u>	<u>670,819</u>

Notes to the Financial Statements

21. AVC investments

The Trustees hold assets invested separately from the main investments to secure additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2020 £'000	2019 £'000
Equitable Life (with-profits)	-	220
Equitable Life (unit linked)	-	828
Utmost (unit linked)	1,046	-
Prudential (with-profits)	431	431
Prudential (unit linked)	1,260	1,414
	<u>2,737</u>	<u>2,893</u>

22. Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the Financial Statements

22. Fair value determination (continued)

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Fund's investment assets and liabilities fall within the above hierarchy levels as follows:

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	6	-	-	6
Bonds	-	1,781,512	-	1,781,512
Pooled investment vehicles	-	412,951	377,101	790,052
Qualifying investment fund	6,338	568,326	-	574,664
Derivatives – net	-	6,031	35,126	41,157
Insurance policies	-	-	664,892	664,892
AVC investments	-	2,306	431	2,737
Cash and equivalents – net	(28,658)	-	-	(28,658)
Other investment balances	7,192	-	-	7,192
Repurchase agreements	-	(978,612)	-	(978,612)
Cash in transit	66	-	-	66
	(15,056)	1,792,514	1,077,550	2,855,008

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	5	-	-	5
Bonds	-	1,613,269	-	1,613,269
Pooled investment vehicles	-	301,465	478,208	779,673
Qualifying investment fund	6,385	523,102	-	529,487
Derivatives – net	-	5,796	47,154	52,950
Insurance policies	-	-	670,819	670,819
AVC investments	-	2,142	751	2,893
Cash and equivalents – net	(43,046)	-	-	(43,046)
Other investment balances	8,055	-	-	8,055
Repurchase agreements	-	(1,005,407)	-	(1,005,407)
Cash in transit	69	-	-	69
	(28,532)	1,440,367	1,196,932	2,608,767

Notes to the Financial Statements

22. Fair value determination (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 values applies, standard valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustees. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2020 or 31 December 2019.

23. Investment risk disclosures

FRS 102 requires the disclosure of information in relating to certain investment risks. These risks are set out by FRS 102 as follows:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The principal objective of the Trustees is to invest the assets of the Fund to meet its liabilities when they fall due. The Trustees wish to protect members' accrued benefits by maintaining a reasonable prospect of achieving a 100% funding level on a prudent basis.

The Trustees maintain a diversified portfolio of assets which seeks to maintain a balance between expected investment return and volatility of returns. The Trustees also seek to manage the Fund's exposure to interest rate and inflation risk whilst keeping expected returns at an appropriate level.

- The Trustees determine their investment strategy after taking advice from a professional investment adviser.
- The Fund has exposure to these risks because of the investments it makes in following the investment strategy as set out above.
- The Trustees manage their investment risks, including credit risk and market risk, within an agreed risk budget which is set taking into account the Fund's strategic investment objectives.

Notes to the Financial Statements

23. Investment risk disclosures (continued)

- The investment objectives and risk budget are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustees through regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management is set out below.

(i) Credit risk

The Fund is subject to credit risk via its holdings in corporate bonds, multi-class credit and emerging market debt. Credit risk on the Legal & General Buy and Maintain holdings is direct as the underlying bonds are held in a segregated account. Credit risk on the other relevant mandates is indirect through holdings in pooled vehicles. Credit risk on the underlying holdings is managed by the relevant asset managers through both in-house credit assessments and review of external credit rating reports.

Counterparty credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2020 (£m)	2019 (£m)
Unit Linked insurance policies	-	97.4
Limited partnership	18.1	22.5
Open ended investment companies	758.2	637.6
Cayman Islands exempted limited partnerships	11.4	12.5
Cayman Islands exempted private investment funds	2.4	9.7
	790.1	779.7

Counterparty credit risk also arises from entering into derivative contracts as part of the LDI hedging programme. This is mitigated by daily collateralisation, by diversifying exposure across a number of counterparties and by the LDI manager's ongoing assessment of the creditworthiness of each counterparty.

(ii) Currency risk

The Fund is subject to indirect currency risk because some of the Fund's pooled investment vehicles invest in overseas markets. This exposure specifically arises from exposure to Overseas Corporate Bonds, Private Equity, and European Property. Please note that the investment into Insurance-Linked Securities with Nephila is also denominated in USD. 100% of foreign currency exposure on this mandate is hedged. The Fund has in place a currency hedging mandate with BlackRock which hedges 100% of exposure to US Dollars and 80% of exposure to Euro arising from the corporate bonds and property holdings respectively (the lower target reflecting a proportion of Fund liabilities which are denominated in these currencies). Currency exposure on the private equity mandates is unhedged. Some managers may take active currency positions as a permitted part of their wider mandates.

Notes to the Financial Statements

23. Investment risk disclosures (continued)

(iii) Interest rate risk

The Fund is subject to interest rate risk because some of its investments are held in bonds, interest rate swaps and derivatives which are sensitive to interest rates. These investments are used to hedge interest rate risk arising from the Fund's liabilities. The Trustees target a hedge ratio equal to the funding ratio on a Gilts Flat basis. Accordingly, if interest rates fall (rise), the value of assets will rise proportional to the increase (decrease) in the present value of the liabilities. The target hedge ratio of the Fund was c.98% as at 31 December 2020 (equal to the funding ratio).

(iv) Other price risk

Other price risk arises in relation to the Fund's return-seeking which are permitted to invest in a range of alternative investment securities, these include; commodities, property, insurance contracts and private equity. The Trustees manage this exposure by investing in funds that invest in a diverse portfolio of instruments across various markets.

Risk Disclosure (Value of Investments)

	2020 (£m)	2019 (£m)
Credit risk	795.7	725.0
Currency risk	649.2	613.7
Interest rate risk	2,358.4	1,154.1
Other price risk	440.4	531.2

Source: Redington. Please note that the sum of each column is greater than total Fund assets due to some assets having exposure to more than one risk. Total interest rate risk as at 31/12/2020 exceeded total asset value due to levered gilt funds in the LDI portfolio.

Notes to the Financial Statements

23. Investment risk disclosures (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

Investment Assets	Credit risk	Currency risk	Interest rate risk	Other price risk	2020 Market Value £'000	2019 Market Value £'000
Bonds	○	◐	●	○	1,781,512	1,613,269
Pooled investment vehicles	◐	◐	◐	●	790,052	779,673
Qualifying investment fund	◐	◐	◐	●	574,664	529,487
Derivatives - net	◐	◐	◐	◐	41,157	52,950
Other insured assets	◐	○	○	○	664,892	670,819
AVC investments	◐	●	●	●	2,737	2,893
Cash and equivalents	○	○	○	○	(28,658)	(43,046)
Other investment balances	○	○	○	○	7,192	8,055

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/not at all.

Source: Redington.

24. Current assets

	2020 £'000	2019 £'000
Cash balances	7,166	4,385
Other debtors	346	670
VAT receivable	-	53
	7,512	5,108

25. Current liabilities

	2020 £'000	2019 £'000
Unpaid benefits	40	428
Accrued expenses	3,457	2,244
Annuity income due back to insurer	-	245
VAT payable	58	-
Tax due to HMRC	425	377
Tax on annual allowance	343	-
	4,323	3,294

Notes to the Financial Statements

26. Employer-related investments

There were no directly or indirectly held employer-related investments at the year-end (2019: none).

27. Related party transactions

Key management personnel of the Fund

During the year the Fund did not receive contributions in respect of any (2019: Nil) Trustees of the Fund, and paid pensions in respect of 3 (2019: 3) Trustees of the Fund. Benefits were paid in accordance with the Fund's Rules.

The Fund pays a fee and expenses to the Chair of the Trustees and attendance fees to other Trustees no longer employed by the Employer. In 2020 these fees and expenses amounted to £121,824 (2019: £101,554).

Entities with control, joint control or significant influence over the Fund

Certain Fund expenses are initially paid by the Sponsoring Employer which is then reimbursed by the Fund. Therefore, at the year-end there may be amounts owing to the Sponsoring Employer from the Fund. The amount due to be paid to the Sponsoring Employer in respect of fees and expenses for 2020 and included within note 24 is £415,437 (2019: £795,720).

28. Contingent liabilities and contractual commitments

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

The High Court has since determined that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the trustees are under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustees are reviewing, with their advisers and the Sponsoring Employer the implication of these rulings in the context of the Fund rules and the value of any liability. On completion of the review the Trustees will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

Other than the above, in the opinion of the Trustees, the Fund had no contingent liabilities as at 31 December 2020 (2019: none).

The Fund has commitments in respect of Private Equity. The capital committed for Private Equities was \$50m each to Morgan Stanley and Abbott Capital. As at 31 December 2020, Abbott Capital had drawn down \$49.8m (2019: \$49.4m) and Morgan Stanley had drawn down \$49.8m (2019: \$49.6M). Note that both managers have begun distributing proceeds from the underlying investments to the Fund and therefore the capital balance invested with each is lower than the amount drawn down.

Notes to the Financial Statements

29. Subsequent events

London Stock Exchange acquisition of Refinitiv

On 1 August 2019 London Stock Exchange Group Plc ('LSEG') announced that it had agreed with Thomson Reuters and the Blackstone consortium the acquisition of Refinitiv in an all share transaction. The transaction completed on 29 January 2021. The Trustees are in receipt of a guarantee dated 28 January 2021, signed by members of the Sponsoring Employer's group, whereby the financial obligations of the Fund's Sponsoring Employer have been guaranteed up to a maximum value of £700m.

30. Covid-19

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Trustees, in conjunction with their advisers, monitor the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Fund's investment portfolio, the operational impact on the Fund and the employer covenant.

The extent of the impact on the Fund's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

Since the year end, the value of the Fund's investment assets and liabilities have been impacted. However the Trustees have not, at this time, quantified the change in market value as the situation is fluid and unpredictable.