Reuters Supplementary Pension Scheme (the 'SPS')

Summary Funding Statement

LSEG

Reuters Supplementary Pension Scheme (the 'SPS')

WHAT IS A SUMMARY FUNDING STATEMENT?

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

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

In between actuarial valuations, the Scheme Actuary produces annual reports on the funding of the SPS (as required by legislation) as well as other updates for the Trustee. These reports are known as summary funding statements, and are not as in-depth as an actuarial valuation, but they help to monitor the development of the funding level.

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

KEY DEVELOPMENTS – EXTENSION OF THE 'COST OF LIVING AGREEMENT'

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

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

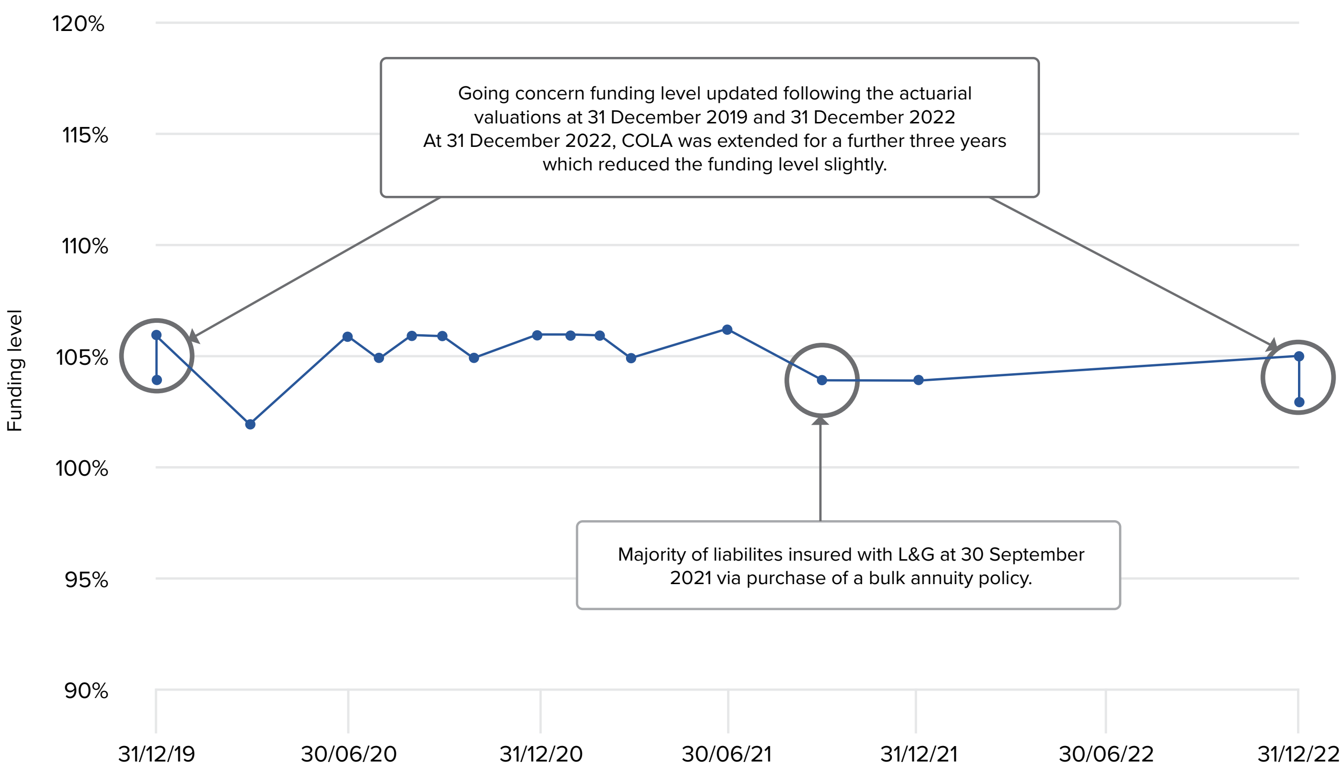
[1] London Stock Exchange Group ('LSEG') as the sponsoring employer of the SPS

Financial position of the SPS

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

The chart shows the change in the funding level on the actuarial valuation basis (the **going concern** basis).

FUNDING LEVEL



Prior to the purchase of the bulk annuity policy with Legal & General (L&G) on 30 September 2021, the **going concern** funding level fluctuated as a result of changes to interest rates, inflation, life expectancy and other factors. The bulk annuity policy means the **going concern** funding level is expected to be more stable from 30 September 2021 onwards. The Trustee will continue to monitor it on an annual basis.

In the chart above, the dots represent the funding updates obtained by the Trustee. The line connecting the funding level updates is designed to give a broad picture of the direction of changes in the funding level between the updates. The line does not reflect the estimated funding level at dates in between the funding updates.

WHAT IS THE FUNDING LEVEL?

The funding level compares the value of the **assets** and **liabilities** of the SPS, and is expressed as a percentage.

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

The table below shows how the SPS's funding level and surplus/deficit has changed over the period to 31 December 2022 on the **going concern** basis and **discontinuance** basis.

	31 December 2014	**31 December 2015**	**31 December 2016** *(Actuarial Valuation)*	**31 December 2017**	**31 December 2018**	**31 December 2019** *(Actuarial Valuation)*	**31 December 2020**	**31 December 2021**	**31 December 2022** *(Actuarial Valuation)*
Going concern									
Funding level	77%	78%	**79%**	82%	96%	**106%**	106%	104%	**103%**
Surplus/(deficit)	(£68.9m)	(£62.7m)	**(£70.4m)**	(£56.1m)	(£13.3m)	**£18.1m**	£17.6m	£11.6m	**£6.8m**
Discontinuance									
Funding level	n/a	n/a	**65%**	n/a	n/a	**95%**	n/a	n/a	**101%**
Surplus/(deficit)	n/a	n/a	**(£140.8m)**	n/a	n/a	**(£16.4m)**	n/a	n/a	**£3.3m**

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

REASONS FOR THE CHANGE IN THE ONGOING DEFICIT

We now look at the change in the **going concern** deficit between the annual review at 31 December 2021 (which was the previous review we sent you), and the latest full triennial valuation at 31 December 2022.

At 31 December 2021, the **going concern** funding level was 104%. Since this date, the funding position of the SPS has remained relatively stable given the purchase of the bulk annuity policy with L&G. At 31 December 2022, the **going concern** funding level was 103%. This slight reduction was primarily due to the extension of COLA to 31 December 2027 (further details on this agreement can be found on page 3).

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

COMPANY CONTRIBUTIONS

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

IF THE SPS WAS WOUND UP

As part of the actuarial valuation, the Scheme Actuary must also look at the solvency of the SPS if it started to wind up (come to an end). At 31 December 2022, the SPS **assets** were estimated to cover 101% of the solvency funding target, and so if the SPS was wound up then members' benefits would be expected to be covered in full.

Please note the **discontinuance** funding level shown on page 5 is purely for your information, and there is no current plan to wind up the SPS. As a result of the bulk annuity policy in place, the **discontinuance** basis is broadly the **going concern** basis but with an allowance for expenses.

PENSION PROTECTION FUND ('PPF')

If the Company was to become insolvent, the PPF may step in and pay some compensation to members. However, given the majority of the benefits of the SPS have been insured, this is not expected to happen. For more details about the PPF, visit the PPF website at www.ppf.co.uk

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

THE PENSIONS REGULATOR ('TPR')

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

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

Terms explained

ASSETS

This is the money that is building up in the SPS – including its investments (including insurance policies), bank balances and any money owed to it.

LIABILITIES

These are the total obligations that the SPS has at present, as well as the estimated benefits it will have to pay in the future. The **liabilities** do not have a fixed value, because they are affected by:

- how many people will remain members of the SPS until they retire and how many will leave (and transfer their benefits out of the SPS);
- how long members will live after they retire, which is the length of time the SPS must pay them a pension;
- the level of future inflation, which affects the levels of future pension increases;
- the exchange rates used to assess the **liabilities** in Sterling for those pensions paid in overseas currencies;
- the rate that is used to convert the SPS's future benefit obligations into today's monetary terms (called the 'discount rate'); and
- future investment market conditions.

The Trustee sets the discount rate using a yield constructed from swap and UK corporate bond market yields. As yield expectations decrease, the value of the SPS's **liabilities** increase, and vice versa.

GOING CONCERN BASIS

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

DISCONTINUANCE BASIS

This looks at the financial health of the SPS if it was wound up at the valuation date. This could happen, for example, if the Company became insolvent. The Scheme Actuary is required by law to estimate the **discontinuance** funding level and deficit at each actuarial valuation, however the actual cost of winding up the SPS can differ from the estimate.

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

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

DICTUM MEUM PACTUM

LSEG