ACTUARIAL VALUATION AS AT 31 DECEMBER 2023 STATEMENT OF FUNDING PRINCIPLES

London Stock Exchange Group Pension Scheme: LSE Section

This Statement of Funding Principles sets out the policies of the Trustee of the London Stock Exchange Group Pension Scheme (the “Trustee” of the “Scheme”) for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Stuart Hailwood, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2023. The Statement of Funding Principles will be reviewed and, if necessary, revised before being taken into account at subsequent valuations under Part 3 of the Pensions Act 2004.

The Scheme is made up of two legally segregated Sections, the LCH Section and the LSE Section. This statement relates to the LSE Section (the “Section”) of the Scheme only.

This Statement of Funding Principles has been agreed by London Stock Exchange plc (the “Employer”).

The statutory funding objective

The statutory funding objective is that the Section of the Scheme has sufficient and appropriate assets to meet the costs incurred by the Trustee in paying its benefits as they fall due (the technical provisions).

Agreed Minimum Funding Level

If an actuarial valuation or actuarial report reveals that the funding level of the Section at the effective date of the actuarial valuation / actuarial report is less than the Agreed Minimum Funding Level (“AMFL”) then the Employer will be required to address this in line with the Scheme’s Trust Deed and Rules.

Full details of the AMFL and attaching provisions are contained in the Scheme’s Trust Deed and Rules.

For the purposes of the 31 December 2023 valuation, the Trustee and the Employer have agreed that the method and assumptions used for the AMFL valuation will be the same as for the technical provisions. Hence the recovery plan put in place to address the technical provisions shortfall will also satisfy the requirements of the AMFL.

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out in the Appendix to this Statement of Funding Principles.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members’ accrued pension rights.

However, the Trustee does not intend for the method and assumptions to completely remove the risk that the technical provisions could be insufficient to provide benefits in the future.

In determining what is ‘prudent’, the Trustee will take into account its objective assessment of the Employer’s covenant and the level of risk present in the investment strategy of the Section.

The approach adopted for the 2023 valuation reflects that the Section’s defined benefit obligations have been largely secured via buy-in policies with Standard Life, Pension Insurance Corporation (“PIC”) and Phoenix Life. As described in the Appendix, the technical provisions have been calculated with reference to the buy-in premium paid to Standard Life and Mercer’s solvency basis at the valuation date. The Mercer solvency basis has been derived based on Mercer’s experience of recent buyout quotations and understanding of the factors affecting this market.

The defined contribution assets and liabilities of the LSE Section including any additional voluntary contributions (“AVCs”) paid by members have been excluded from the valuation, as these assets are assumed to exactly match the value of the benefits that they cover.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme’s Trust Deed and Rules. The Trustee will not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

Rectifying a failure to meet the statutory funding objective

If the value of the assets of the Section are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which may require additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such additional contributions should be appropriate and tailored to both Section and Employer circumstances.

Additional contributions will be expressed as fixed monetary amounts to be paid before fixed dates. In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- The size of the funding shortfall and the Section’s current asset and liability structure.
- The Trustee’s future investment strategy, as set out in the Statement of Investment Principles.
- The Section’s changing liability structure and its effect on cash flows.
- The business plans of the Employer and any plans for sustainable growth.
- The Trustee’s objective assessment of the financial covenant of the Employer.
- Any contingent security offered by the Employer.

The assumptions to be used in these calculations are set out in the Appendix.

Arrangements for other parties to make payments to the Section

In some circumstances, a party other than the Employer or a Section member may contribute to the Section. Payments to the Section may be received from London Stock Exchange Group plc, in lieu of contributions otherwise due from the Employer.

The proceeds of any insurance policy held by the Trustee may be paid to the Section.

There are no arrangements currently in place for any other parties to contribute to the Section.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which the Section's assets are sufficient to provide CETVs for all members. If the assets are insufficient to provide 100% of benefits on that basis, so that payment of full CETVs would adversely affect the security of the remaining members' benefits, and the Employer is unable or unwilling to provide additional funds, the Trustee will consider reducing CETVs as permitted under legislation.

If, at any other time, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustee will commission a report from the actuary and will use the above criteria to decide whether, and to what extent, CETVs should be reduced.

Payments to the Employer

If the Section is not being wound up, there is a power to make payments to the Employer out of surplus funds held for the purposes of the Section under Rule 7.1(c) of the Replacement Rules dated 2 September 2016. This power can only be exercised if the requirements under section 37 of the Pensions Act 1995 are satisfied.

If the Section is being wound up, there is a power to make payments to the Employer out of funds held for the purposes of the Section under Rule 31.6 of the Replacement Rules dated 2 September 2016. This power can only be exercised if the requirements under section 76 of the Pensions Act 1995 and regulations made under it are satisfied.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation of the Section was carried out as at 31 December 2023. Subsequent valuations will in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the Section's technical provisions and funding level since the previous valuation will be obtained as at 31 December in each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary's advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions.

The circumstances in which the Trustee will consider calling a valuation instead of an actuarial report include:

- there is a significant fall in the market value of the Section's assets;
- the actuary's estimate of the costs of buying out the liabilities has risen significantly;
- there is a material deterioration in the Employer's covenant.

The Trustee will consult the Employer before carrying out an early valuation. Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the Schedule of Contributions and/or Recovery Plan in a way satisfactory to the Trustee on the advice of the actuary.

This Statement of Funding Principles is dated November 2024 and has been agreed by London Stock Exchange plc and the Trustee of the London Stock Exchange Group Pension Scheme:

Signed on behalf of London Stock Exchange plc	Signed by: Julia Hoggett 3BBFF52BAE3745C...
Name	Julia Hoggett
Position	Chief Executive Officer
Date of signing	28 November 2024

Signed on behalf of the Trustee of the London Stock Exchange Group Pension Scheme	Signed by: EF3542823F60402
Name	Catherine Redmond
Position	Trustee Chair, representing BESTrustees Limited
Date of signing	28 November 2024

This statement of funding principles, dated November 2024, has been agreed by the Trustee of the London Stock Exchange Group Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed	Signed by: 6AE38C75CABB474...
Name	Stuart Hailwood, FIA
Position	**Scheme Actuary to the London Stock Exchange Group Pension Scheme**
Date of signing	29 November 2024

Appendix

Method and assumptions used in calculating the technical provisions

Method

The calculation of the technical provisions as at 31 December 2023 was carried out using a method and assumptions that reflect that the Section's defined benefit obligations have been largely secured via buy-in policies with Standard Life (with an inception date of 18 May 2023), Pension Insurance Corporation ("PIC") and Phoenix Life.

The value of the technical provisions as at 31 December 2023 was established by adding the value of the Standard Life, PIC and Phoenix Life buy-in policies to an estimate of the remaining non-insured liabilities (in particular, additional liabilities relating to GMP equalisation, transferred-in GMP benefits, the salary-link for the In-Service Deferred members, and future operational and wind-up expenses).

The value of the Standard Life buy-in policy was calculated by 'rolling-forward' the original Standard Life buy-in premium as at 17 February 2023 in line with changes in the Mercer solvency basis over the period to 31 December 2023. The value of the PIC and Phoenix Life policies were also calculated on the Mercer solvency basis, but using individual membership data.

The actuarial method used in the calculation of the technical provisions is consistent with the Projected Unit method. This is a very commonly used actuarial funding methodology and is consistent with the requirements of the scheme funding legislation.

Key actuarial assumptions – Standard Life policy

	17 February 2023	**31 December 2023**
Pre-retirement discount rate	3.57% p.a.	3.74% p.a.
Post-retirement discount rate	3.87% p.a.	4.04% p.a.
RPI inflation	3.36% p.a.	3.25% p.a.
CPI inflation	2.96% p.a.	2.85% p.a.
Pension increases: RPI (3,5) CPI (0,3)	 3.70% p.a. 2.10% p.a.	 3.68% p.a. 2.09% p.a.
Mortality – base table	S3PMA / S3PFA_M (year of birth) tables weighted by 94%/98% for male/female non-pensioners and 94%/95% for male/female pensioners	
Mortality – future improvements	CMI_2020 [1.75%] A=0, Sk = 7.5, w2020 = 0	
Proportions married	ONS 2011 census curves weighted 109%/94% for male/female non-pensioners and 89%/94% for male/female pensioners	
Age difference	Males assumed to be three years older than females	
Retirement age	All retire at Normal Retirement Age	
Cash commutation	No allowance	
GMP equalisation	0.15% of the technical provisions	
Expenses	50% of PPF s179 standard approach	

Key actuarial assumptions as at 31 December 2023 – PIC and Phoenix Life policies

	31 December 2023
Post-retirement discount rate	3.97% p.a.
Pension increases: RPI (3,5) CPI (0,3)	 3.72% p.a. 2.29% p.a.
Mortality – base table	S3PMA / S3PFA_M (year of birth) tables weighted by 94%/95% for males/females
Mortality – future improvements	CMI_2020 [1.75%] A=0, Sk = 7.5, w2020 = 0
Proportions married	ONS 2011 census curves weighted 89%/94% for males/females
Age difference	Males assumed to be three years older than females

Financial assumptions

Pre-retirement discount rate

The pre-retirement discount rate used is a single equivalent rate derived from the yields on UK Government conventional gilt stocks appropriate to the cashflow profile of the benefits covered by the Standard Life policy, less 0.3% per annum.

Post-retirement discount rate

The post-retirement discount rate used is a single equivalent rate derived from the yields on UK Government conventional gilt stocks appropriate to the cashflow profiles of the benefits covered by the Standard Life and PIC / Phoenix Life policies, with no adjustment.

Inflation (RPI)

The assumption for the rate of increase in the Retail Prices Index ("RPI") is a single equivalent rate derived from the difference between the yield on conventional and index-linked UK Government bonds appropriate to the cashflow profile of the benefits covered by the Standard Life and PIC / Phoenix Life policies.

Inflation (CPI)

The assumption for the rate of increase in the Consumer Price Index ("CPI") is a single equivalent rate derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; at the 31 December 2023 valuation the adjustment was a deduction of 0.5% per annum prior to 2030 and nil adjustment thereafter.

Salary increases

The salary increase assumption has been determined after consulting the Employer. Salaries are assumed to increase in line with the assumed rate of RPI inflation. No additional allowance has been made for promotional increases.

Pension increases

The assumptions for the rate of future pension increases are single equivalents derived from RPI and CPI price inflation annual forward rates (as appropriate) allowing for maximum and minimum annual increase entitlements. A version of the Jarrow-Yildirim model is used to derive rates with appropriate floors and caps from forward prices of inflation. This is a stochastic model which assumes that inflation over any given period will partly depend on what inflation was in the previous period.

Demographic assumptions

Mortality

The mortality tables used are based on information published by the Continuous Mortality Investigation (CMI) and National Statistics at the effective date of each valuation, making allowance for future improvements in longevity and adjustments to reflect the experience of the Scheme.

The baseline mortality assumption used for the 31 December 2023 valuation is the S3PMA / S3PFA_M (year of birth) mortality tables weighted by 94%/98% for male/female non-pensioner members and 94%/95% for male/female pensioner members.

The allowance for future improvements is in line with the CMI_2020 core model for future improvements with a 1.75% per annum long term rate of improvement, a smoothing parameter of 7.5, an initial adjustment parameter of zero, and no weight placed on the mortality experience of 2020.

Early retirement

No allowance has been made for the members of the Section to retire early.

Ill Health retirement

No allowance has been made for the members of the Section to retire early due to ill health.

Commutation

No allowance has been made for the members of the Section to commute pension for cash.

Proportion married and age difference

It has been assumed that members will have an eligible spouse/civil partner/dependant at the time of retirement or earlier death, in line with 2011 census tables for married and cohabiting couples published by the Office for National Statistics weighted by 109%/94% for male/female non-pensioners and 89%/94% for male/female pensioners.

Sample rates at age 60 are shown below.

	Proportion of members with an eligible spouse/civil partner/dependant
Male Pensioners	71%
Male Non-Pensioners	87%
Female Pensioners	70%
Female Non-Pensioners	70%

It has also been assumed that partners are of the opposite sex and on average, male members have a wife/partner three years younger than them and female members have a husband/partner three years older than them.

Expenses

Unless the Trustee and Employer agree otherwise in writing, administrative expenses (including PPF and other levies and investment management charges) will either be paid from the Section's assets and then reimbursed in full by the Employer on at least an annual basis, or the Employer may elect to pay additional contributions from time to time, to establish a notional reserve to cover future administrative expenses.

The actual amount of Scheme expenses reimbursed to each Section will be agreed by the Trustee and Employer at least annually. It is anticipated that expenses will be split evenly between the two Sections of the Scheme unless the Trustee and Employer agree that another approach would be appropriate for a particular expense.

A £1.9m reserve for expenses has been included within the technical provisions of the Section as at 31 December 2023. This reserve is calculated as 50% of the reserve calculated using the standard approach specified by the PPF for section 179 valuations (reflecting that a portion of the expenses involved in winding up the section has already been included in the premiums paid to Standard Life, PIC and Phoenix Life).

GMP equalisation

An allowance of 0.15% of liabilities has been made within the Section's technical provisions for the estimated cost of equalising the Section's benefits to address the inequalities created by Guaranteed Minimum Pensions.

Other non-insured benefits

An allowance of £1.0m has been included within the technical provisions as at 31 December 2023 to reflect a prudent estimate of the cost of securing the Section's other non-insured benefits (primarily relating to transferred-in GMP benefits and the salary-link for the In-Service Deferred members).

Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the recovery plan will be calculated by using an assumption of 4% per annum to project forward the technical provisions shortfall from the valuation date to the end of the recovery plan. This is consistent with the discount rate used for the technical provisions at 31 December 2023 after rounding.

All other assumptions will be the same as those used to calculate the technical provisions.