Lazard London Directors' Pension Scheme Report on actuarial valuation as at 31 December 2013

Lazard London Directors' Pension Scheme
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As instructed, we have carried out an actuarial valuation of the Lazard London Directors' Pension Scheme ("the Scheme") as at 31 December 2013, and I now present my report which is addressed to the Trustees of the Scheme.

The main purpose of the report, required by the Pensions Act 2004, is to set out the results and outcomes from the valuation and it also summarises some of the key risks faced by the Scheme, as shown in Appendix 1. Scheme members will receive a summary funding statement relating to the valuation in due course.

The Trustees are responsible for the choice of assumptions for the valuation and agreeing an appropriate level of future contributions with the agreement of Lazard & Co., Services Limited, the sponsoring employer (the "Employer"). The main results and agreed contribution are summarised in chart 1 and table 1, with further detail in the following sections, appendices and attached key documents.

Chart 1: Summary of main results as at 31 December 2013

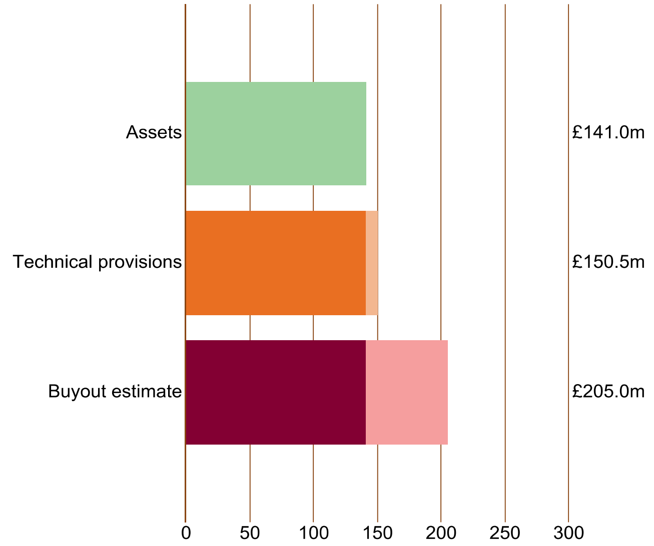

Table 1: Summary of agreed employer contributions

In respect of	
Deficit against Technical Provisions of £9.5m	£0.2m by 1 June 2014 (paid) £2.15m to be transferred from the accounts associated with the security arrangements by 30 June 2015 £8.7m to be paid in three equal instalments by 30 June, 30 September and 31 December 2015 respectively
Expenses	Each year the Trustees and the Employer will agree an amount to be paid by the Employer towards the expenses of running the Scheme
Other	PPF levy payable by the Employer in full

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Appendices

Key documents

1. Benefits, contributions, data and assets

For the valuation we have relied on various sources of information, as shown in table 2.

We have valued the benefits as summarised in Appendix 2. We are not aware of any changes to benefits since the previous valuation.

The Trustees are currently in the process of a project to address gaps in the membership data and to complete the electronic records of the Scheme's membership data. For the purpose of placing a value on the Technical Provisions the following assumptions have been adopted:

- For the purpose of valuing the spouse's benefits upon the death of a pensioner we have assumed that retired members commuted on average 25% of their pension at retirement (so that the spouse's pension is equal to 89% of the member pension in payment).
- Where insufficient data is held regarding members' pension splits, we have estimated the required pension splits based on service history.

The Trustees hold a small number of annuities with an insurance Company in respect of certain pensions in payment. The value of these annuities has been assessed using the assumptions underlying the calculation of Technical Provisions and is included in both asset and Technical Provisions figures.

The Trust also holds assets relating to members' money purchase AVCs. These have been excluded from the assets and Technical Provisions.

Table 2: Sources of information

Item	Source	Summarised
Benefit and contribution structure	Third Supplemental Definitive Deed and Rules dated 25 November 1985, as subsequently amended.	Appendix 2
Membership data	Scheme administrators, Capita	Appendix 3
Audited accounts for 3 years to the valuation date	Trustees	Assets: Appendix 4 Revenue account: Appendix 5

2. The 2005 Funding Agreement

The Trustees' ultimate funding objective is to be able to buy out the Scheme's liabilities with an insurance company.

The Funding Agreement, signed on 30 August 2005 between the Trustees and the Employer, refers to this and two interim objectives. It specifies funding targets that the Scheme should be fully funded:

- On the basis of the accounting standard FRS17 by 31 May 2010;
- on the basis of valuing the liabilities by reference to gilt yields by 31 May 2020 (the "2020 Gilts Basis" objective); and
- on a buyout basis by 31 May 2030 (the "2030 Buyout Basis" objective).

The first of these targets was successfully achieved prior to 31 May 2010.

As part of the discussions with the Employer, regarding the 2013 valuation, the Trustees agreed to waive the 2020 Gilts Basis objective, in return for additional security to be provided by the Employer to the Scheme. This additional security is in the form of an uncapped guarantee from Lazard Group LLC conditional on the Trustees continuing to follow the existing investment strategy with any changes agreed with the Employer.

A significant cash contribution of £10.85m is payable during 2015, as set out in the Recovery Plan and Schedule of Contributions.

The Trustees and the Employer are also required by the Funding Agreement to agree from time to time how to meet the 2030 Buyout Basis objective. As part of the discussions with the Employer, it was also agreed to alter the way in which the Scheme's technical provisions are calculated, so that they better reflect the 2030 Buyout Basis objective.

It was agreed that the technical provisions will be based on the cost of providing benefits on an ongoing basis until 2030 with the remaining benefit payments being assumed to be insured with effect from 2030. For practical reasons it has been agreed that a proxy to the cost of buying out the remaining Scheme benefits in 2030 will be used, as described in Section 3. The proxy described will be reviewed and agreed between the Trustees and Employers as part of each future valuation.

Adopting a technical provisions measure as described above ensures that for this and future triennial valuations, the deficit contributions under any resultant recovery plan will be set at a level that seeks to explicitly target the 2030 Buyout Basis objective.

The Trustees consider that the contributions agreed with the Employer in respect of the statutory funding objective are sufficient to meet the Trustees' obligations with regard to the 2030 Buyout

Basis objective for the purposes of this valuation. The Trustees and the Employer will consider whether this remains the case as part of future valuations, and will review the statement of funding principles if required to ensure that the 2030 Buyout Basis objective continues to be met.

For completeness, analysis of the likelihood of meeting the 2020 Gilts Basis objective is provided in section 5.

3. Funding objective and actuarial assumptions

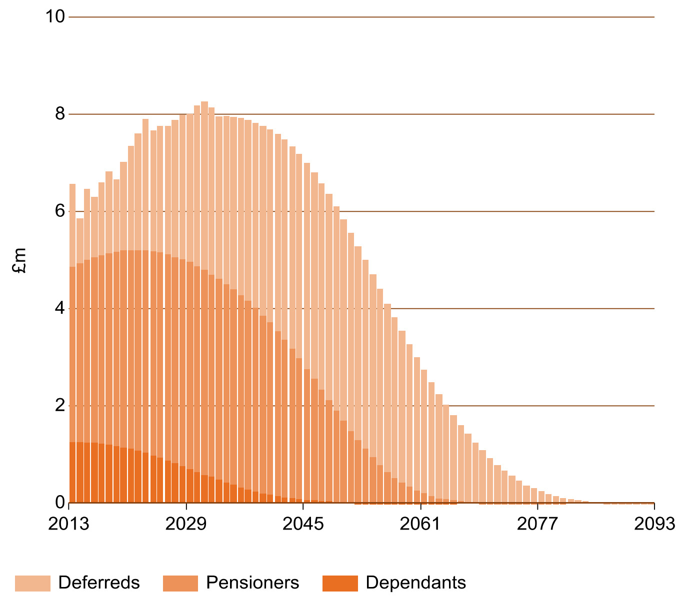
The Scheme's statutory funding objective is to hold sufficient and appropriate assets to cover its Technical Provisions.

The Trustees took advice from me and have determined the method and assumptions to use for this valuation with the agreement of the Employer.

The valuation adopted the "projected unit method", under which the Technical Provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

The benefit cashflows, which are primarily linked to price inflation, projected from the valuation date are shown in chart 2.

Chart 2: Projected benefit cashflows



The Trustees and the Employer have agreed that for this valuation the Technical Provisions will be based on the cost of providing benefits on an ongoing basis until 2030 with the remaining benefits being assumed to be bought out with an insurer in 2030. For practical reasons it has been agreed that a proxy to the cost of buying out the Scheme benefits in 2030 will be used. This proxy is equal to the value of the remaining Scheme benefit payments discounted at a gilt rate plus an addition of £15m in 2030.

The calculation of the Technical Provisions also includes an assumption about the investment strategy prior to 1 June 2030. In particular, the calculation takes advance credit for some of the additional investment returns, over and above the returns from gilts, expected from investing in "riskier" assets, such as equities, under the assumed investment strategy. The assumed investment strategy underlying the calculation of Technical Provisions, prior to 2030, is consistent with the previous valuation and is described in the Appendix to the Statement of Funding Principles.

All other assumptions are set out in the Trustees' Statement of Funding Principles, which is attached to this report.

The key differences in the assumptions compared with the previous valuation, aside from those described above, are as follows:

- The rate of return anticipated from gilts (on average) has reduced from 4.2% pa to 3.6% pa as a result of the fall in the yields on fixed interest gilts.
- The advance credit taken for asset returns on certain asset classes, above gilts, have been updated to reflect revised market expectations.
- The mortality assumption used for this valuation, as described in the attached Statement of Funding Principles, results in marginally shorter assumed life expectancy than the assumption adopted at the previous valuation. These assumptions reflect the latest industry standard tables and the results of Scheme specific postcode profiling carried out as part of the valuation.
- Allowance is now made in the recovery plan for additional returns on the Scheme's existing assets and future contributions, beyond those used for calculating the Technical Provisions.

The principal risk for the trustees is that the actual returns on the Scheme's assets may prove to be lower than the advance credit taken in the calculation of the Technical Provisions for returns above the return on gilts. The greater the advance credit taken, the greater is the chance that actual returns will be lower than the advanced credit taken, leading to a need for additional employer contributions in the future.

Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

Therefore, in determining the assumptions, the Trustees took account of their assessment of the strength of the Employer's covenant, and in particular its likely ability to pay additional contributions in the future if future experience proves to be less favourable than the assumptions. They also took into account the additional support provided by the parent company guarantees provided by other entities in the Lazard group, including that provided by Lazard Group LLC (the ultimate parent company of the Employer) following discussions as part of this valuation.

Appendix 1 contains more detail on the risks the Scheme faces.

4. Technical provisions

As at the valuation date the calculated Technical Provisions were £150.5m and resulting deficit was £9.5m, as shown in chart 3.

The deficit as at the previous valuation was £2.3m.

The projected deficit at this valuation, had experience been in line with the assumptions made and allowing for contributions paid over the period, would have been £1.6m. The actual deficit at the current valuation is therefore £7.9m higher, and the main reasons for this are shown in chart 4.

"Change in market conditions" refers to the change in the yields on fixed interest and index-linked gilts over the period.

Appendix 6 shows the effect on the valuation of changing some of the key assumptions.

Chart 3: Assets and Technical Provisions

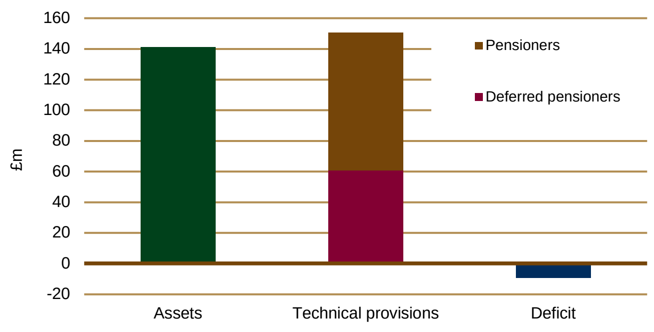
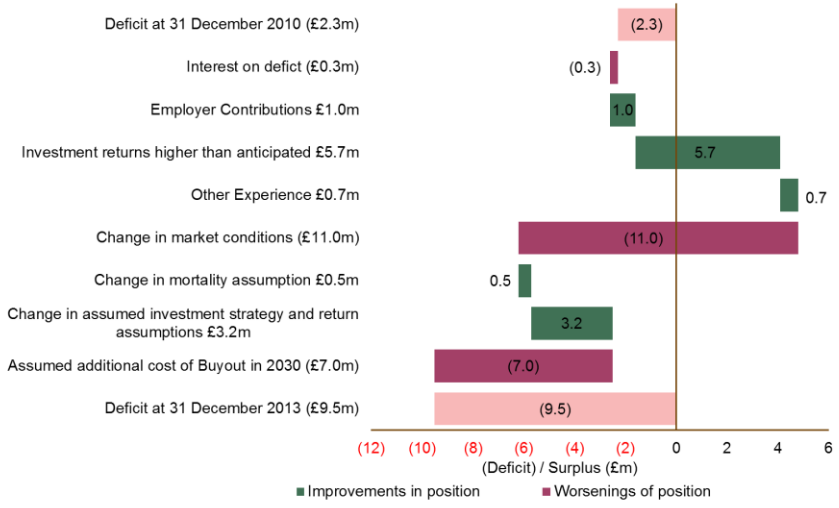


Chart 4: Experience over the three years



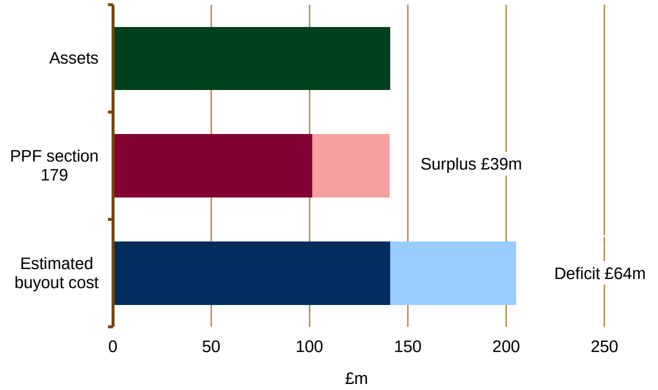
5. Discontinuance

This section considers the position were the Employer to have ceased sponsoring the Scheme on the valuation date. The results are shown in chart 5.

We have considered the solvency of the Scheme by estimating the "buy-out" cost as at the valuation date, ie the cost of securing the benefits for all members by the purchase of annuity policies from an insurance company and winding up the Scheme.

We have not obtained actual quotations, but have produced our estimate using the assumptions described in Appendix 7. These assumptions differ from those set out in the statement of funding principles and they result in an estimated buy-out cost that is higher than the Technical Provisions.

Chart 5: Discontinuance measures



In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy-out with an insurer. The ultimate shortfall on buy-out could be very different from our estimate for various reasons, including:

- additional funding may be available from the Employer;
- market conditions will be different from those applying at the valuation date;
- the insurers will set their terms taking into account their view of the life expectancy of the Scheme's members;
- there may have been changes in the level of competition in the insurance market; and
- the actual expenses of winding-up are likely to be different from the allowance made.

The deficit on buy-out of £64.0m compares with £56.9m as at the previous valuation. This movement is the result of similar factors to those described in section 3, together with changes in the insurance market.

Where a scheme is discontinued because of the insolvency of the employer, the Pension Protection Fund ("PPF") is required to assess whether the scheme is eligible to enter the PPF. This includes assessing whether the scheme is insufficiently funded.

In broad terms, if the PPF is satisfied that the scheme's assets are insufficient to buy out benefits equal to PPF compensation with an insurance company then the assets would be transferred to the PPF which would then pay members PPF compensation in place of scheme benefits. If the assets are sufficient, the scheme can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation (with benefits limited to the PPF compensation cap where applicable), with the balance being applied to secure benefits above that level in accordance with the scheme's rules.

As a proxy for the financial assessment that would be required by the PPF in these circumstances, we have taken the results of the separate statutory "section 179" valuation of the Scheme as at the valuation date, as shown in chart 5.

On this basis, it seems likely that, had the Scheme discontinued at the valuation date, the Scheme would not have entered the PPF and instead the Scheme's assets would have been sufficient to secure benefits equal in value to PPF compensation together with some benefits above that level.

6. Contribution policy and implications for funding

The Trustees have determined with the agreement of the Employer that the Employer will pay contributions as shown in the recovery plan and schedule of contributions (attached as Appendices 10 and 11) and summarised in table 1 above.

The projected funding levels three years after the valuation date are shown in table 3. These projections are on the basis that:

- contributions are paid as set out in the schedule of contributions;
- future experience is in line with the assumptions set out in the statement of funding principles, but with an allowance for the returns from return seeking assets to be 3.5% pa above those of gilts and the return from the defensive portfolio to be 0.5% pa during the period of the recovery plan; and
- there is no change in the level of competitiveness in the annuity market.

Experience from the valuation date is likely to be different from the assumptions made. Therefore, the time taken to pay off the deficit is likely to be shorter or longer than projected.

Table 3: Approximate projected funding levels

Measure	31 December 2013	31 December 2016
Technical Provisions	94%	102%
Solvency	69%	72%

Given that the technical provisions are directly linked to the cost of buying out the benefits in 2030 (albeit using a proxy for buyout pricing) the table above shows that the 2030 target under the 2005 Funding Agreement is expected to be met (allowing for the assumed investment returns between now and 2030).

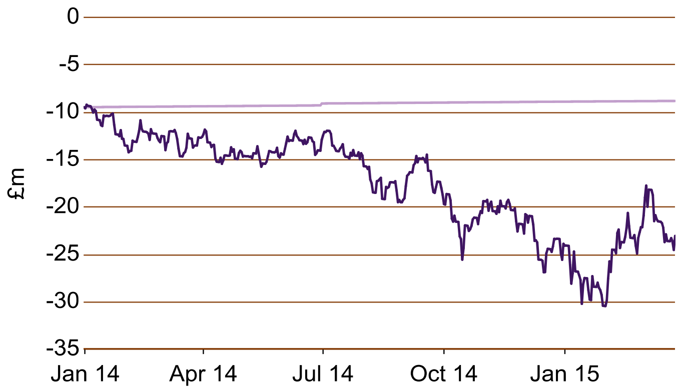
As noted in Section 2, the Trustees have agreed to waive the 2020 gilts only target. However, I note for completeness that under the assumptions described, as at the valuation date and allowing for the agreed contributions, it is projected that the Scheme will be 100% funded on a gilts only basis by 31 December 2019.

7. Experience since the valuation date

The valuation considers the financial position of the Scheme as at the valuation date. Since that time there have been significant fluctuations in investment markets which have affected the value of the assets and the Technical Provisions.

Chart 6 shows an approximate projection of how the deficit against the Technical Provisions has varied since the valuation date.

Chart 6: Estimated deficit against Technical Provisions



8. Certification

Under the Pensions Act 2004, I am required to certify that the Technical Provisions have been calculated in accordance with the legislation, and my certificate is attached as Appendix 8.

I am also required to certify that payment of contributions at the agreed rates can be expected to lead to the Scheme having sufficient assets to cover its Technical Provisions by the end of the recovery period.

There is provision under the legislation for me to have regard to the position as at the valuation date when providing this certificate, and I have therefore adopted this approach. In the light of the changes in market conditions since the valuation date, I would be unable to provide this certificate based on current conditions.

My certificate forms part of the schedule of contributions attached as Appendix 11.

Jeremy Dell FIA
Partner
Appointed Scheme Actuary

13 May 2015

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The use of our work

Our work (including any calculations) has been provided to assist you and is only appropriate for the purposes described. Unless otherwise indicated, it is not intended to assist any other party nor should it be used to assist with any other action or decision.

Our work is provided for your sole use. It is confidential to you, although we acknowledge that you are required to pass it to the employer sponsoring the scheme. You should not provide our work, in whole or in part, to any other third party unless you are legally obliged to do so by statute or regulation (eg in relation to the disclosure of information to scheme members).

We accept no liability to any third party to whom our work has been provided (with or without our consent), unless the third party has asked us to confirm our liability to them, and we have done so in writing.

Professional Standards

This report is part of the work in connection with the valuation of the scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. The work in preparing this report is subject to and complies with those principles set out in the Technical Actuarial Standard on reporting actuarial information (version 2), on data (version 1), on modelling (version 1), together with the Pensions Technical Actuarial Standard (version 2).

Appendices

Some risks faced by the Scheme

Risk	Comments
Employer and guarantors	The Employer and the guarantors is not able to make the required contributions, and in particular are not able to pay increased contributions if experience is unfavourable. If this happened, then it is unlikely that the Scheme would be able to pay the benefits in full.
Investment strategy	Changes in asset values are not matched by changes in the Technical Provisions. The Technical Provisions are linked to gilt yields, but the Scheme assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the deficit would increase.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the Technical Provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved.
Gilt yields	Asset values and the Technical Provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Scheme's holding in gilts and its Technical Provisions in terms of their nature (ie fixed or inflation-linked) and/or their duration.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated.
Mortality	Scheme members live longer, and so benefits are paid longer, than anticipated.
Regulatory	In future the Scheme may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgements.

Benefits and contributions

The following brief summary is based on our understanding of the benefits provided to members of the Scheme as at 31 December 2013 and should not be relied upon as a definitive summary. Full details can be found in the Trust Deed and Rules.

Benefit or defined term	Description
Normal Retirement Age (NRA)	60
Early retirement pension	Accrued pension at early retirement date, reduced for early payment
Benefits on death after retirement	
- Spouse's pension	2/3 of the member's pension at death, ignoring any pension commuted for a lump sum at retirement
- Children's pensions	Children's pensions may be payable
- Lump sum	On death within 5 years of retirement, balance of pension payments which would otherwise have been received had the member survived until the fifth anniversary of retirement
Benefits on death in deferment	
- Spouse's pension	2/3 of the revalued deferred pension
- Lump sum	5x the revalued deferred pension
Pension increases	
- In payment	Pension increases each year in line with the increase in the Consumer Prices Index (CPI), subject to a minimum of 3% pa and a maximum of 5% pa.
- In deferment	Statutory increases

Membership details

The following table shows the membership details as at 31 December 2013. Figures as at 31 December 2010 are shown in brackets.

	Number		Average age		Pensionable Salaries / Pensions £m pa	
Deferred members	54	(62)	52	(51)	1.7	(2.2)
Pensioners and dependants	72	(66)	72	(73)	4.9	(4.3)
Total	126	(128)				

Note: The pension figures for deferred members have been obtained by totalling members' deferred pensions as at the date of leaving service.

Note: The pension figures for pensioners and dependants have been obtained by totalling members' pensions in payment at the valuation date. Pensions in payment were increased, as required under the Rules, by 3.1%, 5.0%, 3.0% on 1 January 2011, 2012 and 2013 respectively. The pension amounts shown at 31 December 2013 also include the 1 January 2014 increase of 3.0%.

Note: There have been no discretionary benefits granted or discretionary increases made to benefits since the previous valuation.

Consolidated revenue account

	£m	£m
Opening fund as 31 December 2010		131.6
Income		
Employer's contributions	1.4	
Total income		1.4
Expenditure		
Pensions	13.8	
Lump sum commutations	2.3	
Transfer values paid	0.6	
Administration expenses	1.1	
Other expenses	0.8	
Total expenditure		18.6
Change in value of investments		26.6
Closing fund at 31 December 2013		141.0

Note: Assets in respect of members' AVCs have been excluded from the above figures.

Composition of assets

	Market value at 31 December 2013		Benchmark
Asset type	£m	%	%
Equities			27.5
- Lazard Asset Management	19.0	13.5	
- Veritas	9.5	6.7	
- Odey	10.5	7.4	
Absolute return funds			15.0
- Standard Life	10.1	7.2	
- Ruffer	10.7	7.6	
Other			57.5
- Liability Driven Investment	26.0	18.4	
- Insight Bonds Plus fund	32.3	22.9	
- Corporate bonds	14.1	10.0	
- Insured annuities	8.3	5.9	
- Cash and net current assets	0.5	0.4	
Total assets	141.0	100.0	100.0

Note: Assets in respect of members' AVCs have been excluded from the above figures.

Note: Over the period since the previous valuation, the average rate of return earned on the assets was approximately 6.6% pa by reference to market values.

Sensitivity to assumptions

The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.

The results are particularly sensitive to the advance credit for future investment returns. By way of illustration, the effect of changing this assumption is shown in the table opposite.

The results are also sensitive to the pensioner mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future. To the extent that the mortality assumption under-estimates life expectancies, the Technical Provisions will be too low, all other things being equal.

As an illustration, if it were assumed that life expectancies were one year longer than implied by the mortality assumption adopted, the Technical Provisions would be broadly 2-3% higher.

Advance credit for returns above gilts on the overall investment portfolio	% pa	Deficit £m
Actual rate used		9.5
- 2010 to 2020	1.4	
- 2020 to 2030	1.1	
- from 2030	0.0	
Lower rate		18.0
- 2010 to 2020	0.9	
- 2020 to 2030	0.6	
- from 2030	0.0	
No credit (ie a gilts only basis)		32.0
- 2010 to 2020	0.0	
- 2020 to 2030	0.0	
- from 2030	0.0	

Key assumptions used for assessing solvency

We have based our estimate of the Scheme's solvency on our in-house insurer buy-out pricing model. The model is based on similar but simplified principles to those adopted by insurance companies to set their prices. It is calibrated against actual quotations and final transaction prices for other pension schemes.

The main financial assumptions for our buy-out estimate as at the valuation date are shown in the table opposite.

The demographic assumptions are the same as those adopted for the calculation of the Technical Provisions, except that there is no allowance for commutation and it is assumed that 85% of all members have dependants.

We have included an allowance for the insurance company's costs in administering the benefits of £0.1m, and separately we have included a provision of £3.2m for expenses that would be incurred by the Trustees in winding up the Scheme

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Financial assumptions

Assumption	%pa
Non-pensioners	
Single equivalent discount rate	3.29%
Rate of RPI inflation	3.64%
Rate of CPI inflation	3.24%
Revaluation in deferment	CPI
Pension increases in payment	Set by consideration of derivative market pricing
Pensioners	
Single equivalent discount rate	3.29%
Pension increases in payment	Set by consideration of derivative market pricing

This basis has no relevance beyond establishing an estimate of the hypothetical buy-out cost and my statutory estimate of solvency as at the valuation date.

Key documents

3037178

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Lazard London Directors' Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 31 March 2015.

Signature: .... **Date:** 31-3-2015.

Name: Jeremy Dell

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer (if applicable): Lane Clark & Peacock LLP

Lazard London Directors' Pension Scheme ("the Scheme") Statement of funding principles

Introduction

This document ("the Statement") constitutes the Statement of Funding Principles applicable to the Lazard London Directors' Pension Scheme ("the Scheme"). The purpose of the Statement is to document the principles established for funding the Scheme in a manner conforming to the requirements of section 223 of the Pensions Act 2004 ("the Act") and to assist Scheme members in understanding the manner in which the Scheme is being funded.

The Statement was prepared by the Trustees for the purposes of the actuarial valuation of the Scheme as at 31 December 2013 after obtaining the advice of Jeremy Dell, the Scheme Actuary. It has been agreed by Lazard & Co., Services Limited ("the Employer"). The Statement will be reviewed within 15 months of the effective date of every valuation and revised if necessary.

1. Characteristics of the Scheme's liabilities

The main characteristics of the Scheme's liabilities that are relevant to the development of appropriate funding principles are as follows:

- the Scheme's pension liabilities are to make payments stretching many years into the future; the amount and timing of these payments can be predicted with some precision but not with absolute certainty;
- accrual of pension benefits under the Scheme ceased on 31 March 2006;
- the Scheme has a mature liability profile, with current pensioners accounting for over half of the technical provisions.
- increases to pensions in payment are linked to consumer price inflation, but subject to a minimum of 3% and a maximum of 5% each year.

2. Funding Objectives

This Statement sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Scheme should aim to hold from time to time in order to make provision for the Scheme's liabilities and how we intend to achieve the objective of holding this amount of money in the Scheme (this is known as meeting the "statutory funding objective"); and

- our policy for achieving the level of funding at 1 June 2030 (the "2030 Buyout Basis objective") described in the deed agreed between the Trustees of the Scheme and the Employer (and related parties) dated 30 August 2005 (the "Funding Agreement").

These policies are used for setting the level of contributions to be paid to the Scheme.

We have decided that the technical provisions should be calculated using the method and assumptions set out in Appendix 1 to this document.

We chose these methods and these assumptions with the agreement of the Employer. We are required by law to agree the method and assumptions for the technical provisions with the Employer. In arriving at them, we took advice from the Scheme Actuary and took account of various relevant factors (in particular the ability of the Employer to support the Scheme).

3. Investment strategy

The funding level of the Scheme will depend on the returns achieved on its assets. The Trustees are responsible for the investment strategy in consultation with the Employer.

Under the terms of the Funding Agreement, the investment policy of the Scheme from 1 June 2010 onwards shall be agreed from time to time between the Trustees and Employer.

The Trustees and the Employer have agreed to maintain the existing investment strategy to 2020, which targets an investment split as follows:

- 27.5% in global equities;
- 15% in absolute return funds; and
- 57.5% in defensive assets.

Over the period to 2030, Lazard and the Trustees will regularly consider the opportunities for reducing risk in the Scheme beyond 2020, with a view to reducing the risk of failing to achieve the 2030 target, by potentially increasing the allocation to defensive assets and reducing the allocation to return-seeking assets. This analysis will take into account, amongst other things, the level of progress made towards the 2030 target.

4. Technical Provisions

The calculation of the Technical Provisions involves estimating the present value of the benefits payable in future to members and their dependants under the rules of the Scheme. Benefits are payable on retirement or death.

Assumptions are made about the likelihood of a benefit becoming payable at any future date and the period for which it will be payable, as well as about financial matters such as future increases in members' pensions and investment returns. The assumptions for determining the Technical Provisions are chosen prudently, as required by the Act, and take account of the Scheme's commitments which arise out of members' accrued pension rights. The assumptions are designed to provide an appropriate margin for adverse future experience, taking into account relevant risks, including the following:

- that the Employer will not be able to continue to pay contributions or make good funding deficits in the future;
- that the future investment returns on assets will not be sufficient to meet the funding objectives;
- that falls in asset values will not be matched by similar falls in the value of the liabilities; and
- that anticipated future changes in the expectation of how long the Scheme's pensioners will live will increase the cost of providing benefits.

The discount rates used in the valuation of the liabilities represent the returns which it is anticipated will be achieved on the Scheme's assets and are chosen having regard to the Scheme's future investment strategy, including an allowance for a reduction in the allocation to the return-seeking portfolio beyond 2020, and with a margin incorporated for prudence.

4.1. Method and assumptions underlying the calculation of the technical provisions

We have decided that the technical provisions should be calculated using the method and assumptions set out in Appendix 1 to this document.

We chose these methods and these assumptions with the agreement of the Employer, as required by law.

4.2. Rectification of a failure to meet the Statutory Funding Objective

The Trustees and the Employer have agreed that, if the assets are less than the Technical Provisions, then the deficit shall be eliminated over a fixed period by cash contributions from the Employer. In determining the recovery period, the Trustees will take into account the following factors:

- the size of the deficit;
- the Trustees' assessment of the financial covenant provided by the Employer to the Scheme; and
- any contingent security offered by the Employer.

Since the date of the valuation, the Scheme has received a payment of £0.2m from Lazard & Co., Services Limited. Taking into account this payment, the Trustees and the Employer have agreed that any deficit disclosed by the valuation as at 31 December 2013 will be made good by contributions payable by the Employer in 2015 (a proportion of which will in practice be paid from the accounts associated with the Security Arrangement that was agreed as part of the 2010 actuarial valuation, dated 30 April 2012).

In calculating the amount of these contributions, account may be taken of the expected return of the Scheme's assets without necessarily having to incorporate the degree of prudence included in the discount rates used to calculate the Technical Provisions.

If deficits are disclosed at future valuations, the period within which, and the manner in which, they will be removed will be agreed by the Trustees and the Employer at the time, having regard to the funding objectives established in the Funding Agreement and to the Statutory Funding Objective. The details will be set out in future Statements of Funding Principles.

5. Plan to meet the funding objectives described in the Funding Agreement

In addition to the statutory funding objective, the Funding Agreement describes levels of funding to be achieved by 1 June 2020 and by 1 June 2030.

As part of the discussions with the Employer, regarding the 2013 valuation, the Trustees agreed to waive the 2020 Gilts Basis objective which requires the Scheme to be fully funded on a gilts basis by 1 June 2020, in return for additional security to be provided by the Employer to the Scheme. This additional security is in the form of an uncapped guarantee from Lazard Group LLC conditional on the Trustees continuing to follow the investment strategy agreed with the Employer as well as significant cash contributions in 2015, as described in the Recovery Plan and Schedule of Contributions.

As a result of the 2020 Gilts Basis objective being waived the Trustees and the Employer have agreed that the Security Arrangement agreed as part of the 2010 valuation will be dissolved, with the assets in the associated accounts being transferred to the Scheme (as set out in the Recovery Plan and Schedule of Contributions).

The Trustees and Employer are also required by the Funding Agreement to agree from time to time how to meet the 2030 Buyout Basis objective. As part of the discussions with the Employer, it was also agreed to alter the way in which the Scheme's technical provisions are calculated, so that they better reflect the Employer's obligations under the 2030 Buyout Basis objective.

It was agreed that the technical provisions will be based on the cost of providing benefits on an ongoing basis until 2030 with the remaining benefits being assumed to be bought out with an insurer in 2030. For practical reasons it has been agreed that a proxy to the cost of buying out the Scheme benefits in 2030 will be used, as described in Appendix 1. The proxy described will be reviewed and agreed between the Trustees and Employer as part of each future valuation.

By changing the technical provisions measure as described it ensures that for this, and future, triennial valuations the deficit contributions under any resultant recovery plan will be set at a level that seeks to ensure that the 2030 Buyout Basis objective is met.

The Trustees consider that the measures agreed with the Employer in respect of the statutory funding objective are sufficient to meet the Trustees' obligations with regard to the 2030 Buyout Basis objective for the purposes of this valuation. The Trustees and Employer will consider whether this remains the case as part of future valuations, and will review the statement of funding principles if required to ensure that the 2030 Buyout Basis objective continues to be met.

6. Discretionary benefits

Under Rule 17 of the Scheme's rules the Employer can require the Trustees to provide discretionary benefits and, with the Employer's agreement, the Trustees can decide to provide discretionary benefits, in each case subject to the Employer meeting the associated funding requirements. However, there is no current expectation that discretionary benefits will be provided and no allowance is made for them in the funding of the Scheme.

7. Cash equivalent transfer values

At each valuation, the Trustees will ask the Scheme Actuary to advise them of the extent to which the Scheme's assets are sufficient to provide cash equivalent transfer values ("CETVs") for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries. If coverage is less than 100% of benefits in excess of those in the highest priority category, ie broadly those benefits which would be provided were the Scheme to be admitted to the Pension Protection Fund, the Trustees will consider whether to reduce CETVs as permitted under legislation, after obtaining actuarial advice as to the appropriate extent. As at 31 December 2013, the assets were sufficient for CETVs to be paid without prejudicing the security of benefits in the Scheme.

If at any other time, after obtaining advice from the Scheme Actuary, the Trustees are of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustees may commission an appropriate report from the Scheme Actuary. They will use the above criterion to decide whether, and to what extent, CETVs should be reduced.

8. Payments to the Employer

There are no provisions for payments to be made from the Scheme to the Employer.

9. Contributions made to the Scheme by parties other than the Employer

There are no arrangements with any party other than the Employer to make payments to the Scheme.

10. Reviewing the valuation position and this statement

This Statement relates to the Scheme's third actuarial valuation under Part 3 of the Act, the effective date of which is 31 December 2013. Subsequent valuations will, in normal circumstances, be carried out every three years thereafter. However, the Trustees may bring forward the effective date of any formal valuation, and all future contributions will be decided by reference to the results of the most recent valuation.

An actuarial report on developments affecting the Scheme's funding level will be obtained as at each intermediate anniversary of the most recent valuation date. The Trustees may call for a full actuarial valuation instead of an actuarial report at any other time when, after considering the Scheme Actuary's advice, they are 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.

This statement was prepared on 31 March 2015 and replaces the previous statement of funding principles, which was signed on 30 April 2012.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

3045460 Signed for and on behalf of the Trustees

Page 7 of 12 Signature ....

Name: FRANCES HEATON

Position: Chairman

Date: 31 March 2015

Agreed for and on behalf of Lazard & Co., Services Limited

Signature ....

Name: R. ROUNTREE

Position: Director

Date: 31 March 2015

Lazard London Directors' Pension Scheme Statement of Funding Principles Actuarial method and assumptions for calculating the technical provisions

The method and assumptions for calculating the technical provisions are set out below. The assumptions are based on market conditions as at 31 December 2013.

Actuarial method

Projected Unit method.

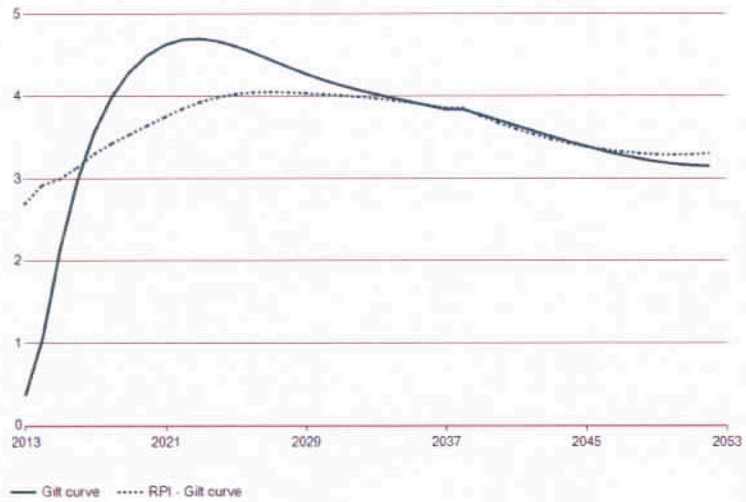
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the latest available yield curve as at the valuation date for fixed interest gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curve and the valuation date) and extrapolated for later durations.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as implied by the latest available yield curves as at the valuation date for fixed interest and index-linked gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curves to the valuation date) and extrapolated for later durations.
- Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less 1.0% pa.

For illustration, as at the valuation date, the assumptions for the return on gilts and RPI were as shown in the chart below:

Gilt returns and implied RPI as at 31 December 2013



For the purposes of illustration, as at the valuation date the single equivalent average rates (weighted by the projected future benefit cashflows) were:

	Rate
Gilt returns	*3.6% pa*
RPI	*3.6% pa*

Return on assets (discount rates)

The table below shows the assumed investment strategy for the purpose of calculating the discount rates, together with the Trustees' assumed returns, in excess of gilts, from each asset class as at 31 December 2013.

	Return-seeking portfolio		Defensive portfolio		
	Equities	Alternatives / absolute return funds	Bond type investments	Liability driven investment / gilts	Total
Assumed return above gilts	3.75% pa	3.10% pa	1.00% pa	0.0% pa	
31/12/2013 – 31/05/2020	27.5%	15.0%	28.7%	28.80%	100.0%
01/06/2020 – 31/05/2030	21.0%	11.5%	33.7%	33.8%	100.0%
From 01/06/2030	0.0%	0.0%	0.0%	100.0%	100.0%

The discount rates are determined by taking appropriately weighted averages of the returns assumed for each asset class and then deducting a margin for prudence. The following table summarises the margins for prudence and the resultant overall returns in excess of gilt yields:

Period	Margin for prudence	Overall return in excess of gilts
31/12/2013 – 31/05/2020	0.35% pa	1.4% pa
01/06/2020 – 31/05/2030	0.35% pa	1.1% pa
From 01/06/2030	0.0% pa	0.0% pa

The assumed investment returns for calculating the contributions required to repair the deficit under the Recovery Plan are described at the end of this Appendix.

Additional costs of buying out the Scheme's benefits in 2030

There is an allowance, within the calculation of the Technical Provisions, for the broad anticipated cost of buying out the remaining benefits in 2030, in excess of the pricing assumed using the other assumptions set out in this Appendix (ie in excess of valuing the benefits on a gilts basis).

For the purpose of this valuation that additional cost is recognised as £15m in 2030. This figure has been agreed by the Trustees and the Employer, for the purpose of this valuation, and is based on broad insurer pricing as at 31 December 2013 along with the expected nature of the Scheme in 2030. This anticipated additional cost is sensitive to market conditions and changes to insurer pricing and as such will be reviewed and agreed by the Trustees and Employer as part of any future valuations.

Pension revaluation in deferment

In line with statutory requirements assuming revaluation from 2011 in line with CPI over the period to retirement subject to a cap of 5% pa over the period since date of leaving. The assumption for future revaluation will be consistent with the inflation based assumptions described above.

Pension Increases in payment

It is assumed that CPI volatility is 1.3% pa around the central CPI rate derived above. Pensions are increased in line with CPI but subject to a minimum of 3% and a maximum of 5% each year.

The assumed annual rate of pension increase is calculated based on the assumed rate of CPI, the assumed volatility and the minima and maxima stated above.

Mortality

The mortality assumptions will be based on tables published recently by the actuarial profession which are considered suitable for the Scheme. These may be adjusted to take account of any relevant known information about the Scheme. There will be a prudent allowance for future improvements in longevity.

For the valuation as at 31 December 2013, for post-retirement mortality, the base mortality rates are 83% of the S1NA tables and projected from 2003 in line with the CMI 2013 core projections with a long-term annual rate of improvement of 1.5% (males) /1.25% (females)

For pre-retirement mortality the AC00 tables will be used.

Retirement Age

It is assumed that all non-pensioners will retire at their Normal Retirement Age in normal health, but that any already above their Normal Retirement Age at 31 December 2013 will retire immediately.

Marital status

It is assumed that 86% of male Scheme members and 70% of female Scheme members will be married or have a civil partner at 31 December 2013 who would qualify to receive a pension on the death of the member.

It is assumed that men will be three years older than their spouses/civil partners.

Level of spouses' pensions

For current pensioners there is limited data held in respect of the spouses' benefits. It has been assumed that retired members commuted on average 25% of their pension at retirement. Therefore, the spouses' benefit is assumed to be 89% of the member pension in payment at the valuation date.

Commutation

It is assumed that non-pensioners will exchange pension for cash at retirement and that the amount commuted will be 75% of the maximum permissible. The maximum permissible amount is assumed to be 25% of the members' pension at retirement.

It is assumed that the existing commutation factors (adopted in December 2012) remain in force.

Expenses

The Employer will make additional payments to the Scheme as an allowance to meet the expenses of administering the Scheme, the Pension Protection Fund levy and the cost of other fees for professional advisers to the Scheme. These payments will not exceed an amount agreed in writing each year in advance between the Trustees and the Employer plus the amount of the Pension Protection Fund levy and are intended to include (but are not limited to) reasonable actuarial fees, investment advisor fees, auditor fees and legal fees. As a result, no explicit allowance for expenses is included within the calculation of the technical provisions.

Data uncertainty

The Trustees are undertaking an exercise to verify the Scheme's membership data and this may identify additional liabilities. The Trustees have not included any explicit reserve in the technical provisions as at this valuation, but will review whether it is appropriate to include one at the next valuation.

Recovery plan

The allowance for the return on existing assets and new contributions during the period covered by the recovery plan are based on best-estimate assumptions as summarised in the table below:

Assumed returns above gilts allowed for in the Recovery Plan

	Return above gilts
Return-seeking assets (Equities / alternatives / absolute return funds):	3.5% pa
Defensive portfolio (Bond type investments / LDI / gilts):	0.5% pa

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Lazard London Directors' Pension Scheme Recovery Plan

Name of Employer: Lazard & Co., Services Limited ("The Employer")

Name of the Scheme: Lazard London Directors' Pension Scheme (the "Scheme")

The actuarial valuation of the Scheme as at 31 December 2013 revealed a deficit of £9.5m, measured against technical provisions.

In accordance with Section 226 of the Pensions Act 2004, the trustees of the Scheme have prepared this recovery plan, after obtaining the advice of Jeremy Dell, the scheme actuary.

1. Steps to be taken to ensure that the statutory funding objective is met

The Trustees and the Employer who sponsors the Scheme have agreed to eliminate the funding shortfall by the payment of the following contributions.

Contributions to be made to the Scheme

Amount £m	Dates
£0.2m	To be paid by the Employer by 1 June 2014 (paid).
£2.15m	To be transferred from the accounts associated with the security arrangements, agreed as part of the 2010 valuation, by 30 June 2015.
£8.70m	To be paid by the Employer in three equal instalments by 30 June, 30 September and 31 December respectively.

2. Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 31 December 2015. This is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Scheme's Statement of Funding Principles dated 31 March 2015.
- The return above gilts on existing assets and new contributions during the period are as set out in the table below:

Assumed returns above gilts allowed for in the Recovery Plan

	Return above gilts
Return-seeking assets:	3.5% pa
Defensive portfolio:	0.5% pa

3. Agreement by the trustees and the employer

This recovery plan was prepared on 31 March 2015 and has been agreed by the Trustees and the Employer.

Signed on behalf of the Trustees

Signature: ....

Name: FRANCES HEATON

Position: Chairman

Date: 31 March 2015

Agreed on behalf of Lazard & Co., Services Limited

Signature: ....

Name: R. ROUNTREE

Position: Director

Date: 31 March 2015

Lazard London Directors' Pension Scheme

Schedule of Contributions

Name of Employer: Lazard & Co., Services Limited ("The Employer")

This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It sets out the contributions payable to the Lazard London Directors' Pension Scheme ("the Scheme") over the period from the date that the Actuary certifies the Schedule to 31 March 2020.

It also shows the contributions that are payable to the Scheme between the effective date of the valuation and the date that the Actuary certifies the Schedule.

The Trustees of the Scheme and the Employer have agreed this Schedule, as indicated below by authorised signatories.

The following contributions are payable to the Scheme:

Contributions from Employers	
Contributions from Employer in respect of the shortfall in funding in accordance with the recovery plan dated 31 March 2015	£0.2m payable by 1 June 2014 (paid) £2.15m to be transferred from the accounts associated with the security arrangements, agreed as part of the 2010 valuation, by 30 June 2015. £8.70m payable in three equal instalments by 30 June 2015, 30 September and 31 December 2015 respectively.

The Employer will in addition make payments to the Scheme as an allowance to meet the expenses of administering the Scheme, the Pension Protection Fund levy and the cost of other fees for professional advisers to the Scheme. These payments will not exceed an amount agreed in writing each year in advance between the Trustees and the Employer plus the amount of the Pension Protection Fund levy and are intended to include (but not limited to) reasonable actuarial fees, investment adviser fees, auditor fees and legal fees. These payments will be made within 30 days of the due date notified by the Trustees.

The Employer will also pay any additional contributions as decided by the Trustees, on the advice of the Actuary, and in accordance with the Scheme Rules, to meet benefit augmentations. Such contributions will be paid within 30 days of the due date notified by the Trustees.

This Schedule of Contributions replaces the Schedule of Contributions dated 30 April 2012 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Trustees of the Scheme

Signature: .... authorised signatory

Name: FRANCES HEATON

Position: Chairman Date: 31 March 2015

on behalf of Lazard & Co., Services Limited

Signature: .... authorised signatory

Name: R. ROUNTREE

Position: Director Date: 31 March 2015

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Lazard London Directors' Pension Scheme

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 2013 to be met by the end of the period specified in the recovery plan dated 31 March 2015.

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 31 March 2015.

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 to be wound up.

Signature: .... **Date:** 31-3-2015

Name: Jeremy Dell

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Name of employer (if applicable): Lane Clark & Peacock LLP

Notes not forming part of the certification

Qualification where actuarial opinion is not given as at signature date

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 31 March 2015 and their Recovery Plan dated 31 March 2015 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule.

LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics.

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