Lazard London Directors’ Pension Scheme
Update to members and Summary Funding Statement for the years to 31 December 2019 and 31 December 2020

The Trustees of the Lazard London Directors’ Pension Scheme (“the Scheme”) are pleased to be able to provide members with details of the results of the recently completed triennial funding valuation of the Scheme, which was carried out as at 31 December 2019, together with an update as at 31 December 2020.

In the case of the Scheme’s 31 December 2019 valuation, agreement was formally reached between the Trustees and Lazard & Co., Services Limited (“the Employer”) on 30 March 2021. The Actuary has since provided an update of the position as at 31 December 2020. Therefore, this document is designed to include all the information required to act as the formal Summary Funding Statements for 2019 and 2020.

The purpose of this statement is:

- to summarise the results of the recently completed 2019 valuation of the Scheme;
- to provide commentary on the how the Scheme’s funding position has developed since we last wrote to you;
- to explain how the Trustees and the Employer have agreed to improve the funding position; and
- to provide an update on how the funding position has changed between the valuation date and 31 December 2020.

This note also contains an update on how the assets are currently invested as well as confirmation that there have been no changes to the benefits provided by the Scheme since 31 December 2018.

Management of the Scheme

The Scheme comprises funds paid by the Employer, past and present, into the Scheme so that it can pay pensions to Scheme members when they retire.

The money to pay for members’ pensions is not kept separately for each individual, but rather is held in a common fund managed on behalf of the Trustees by professional third parties whom we have appointed for this purpose.

The Trustees’ objective is to have sufficient money available to pay retirement benefits as they fall due and to meet the funding levels agreed with Employer (see below). We obtain triennial actuarial valuations of the benefits due to members and, using this information and advice received from the actuary to the Scheme, agree with the Employer what measures, including further contributions, if any, to put in place to meet our objective. The most recent valuation, as at 31 December 2019, was completed in March 2021.

For each triennial valuation the actuaries make a number of assumptions about what will happen in the future, including how long people will live; inflation and returns on investments. They then calculate the valuation surplus or deficit by comparing this estimate of the amount needed to pay the benefits with the value of the investments. A valuation prepared in this way is called an “ongoing” valuation.

It is important to note that valuations are conducted at a single point in time and the position can change from one valuation date to the next.

In the case of the Lazard pension schemes the Trustees and the Employer also have targets under the 2005 Funding Agreement to meet certain funding levels by specified dates.

The 2005 Funding Agreement

The Funding Agreement executed on 30 August 2005, and amended on 31 March 2015, between the Trustees and the Employer states that buying out the Scheme's liabilities with an insurance company by June 2030 is their ultimate shared objective.

Following the 2013 actuarial valuation, the Trustees and the Employer agreed to calculate the liabilities in a way that explicitly focuses on this objective, with Lazard's contributions set to target this 2030 objective. The contributions agreed with the Employer as part of the 2019 valuation are consistent with this. We intend to keep Employer contribution levels under review at future valuations.

Changes to the funding level since the previous summary funding statement

The previous summary funding statement set out the ongoing funding position as at 31 December 2018. For the 2019 actuarial valuation the Trustees and the Employer agreed to adopt assumptions broadly consistent with the 2016 valuation (and for subsequent annual funding updates) except reflecting updated market conditions and up-to-date assumptions regarding life expectancy. The updated market conditions included allowance for the latest estimated cost of buying out the remaining benefits with an insurer in 2030.

The Scheme Actuary has since provided approximate updates of the funding levels as at 31 December 2020.

	31 December 2018 Actuarial Report	31 December 2019 Actuarial valuation	31 December 2020 Actuarial Report
Assets	£163.0m	£177.4m	£190.6m
Amount assessed as needed to provide benefits	£182.9m	£192.3m	£205.0m
Shortfall	£19.9m	£14.9m	£14.4m
Funding level	89%	92%	93%

As shown above, the funding position improved over 2019. This improvement was due to reflecting the latest information about life expectancies, a reduction in the amount assessed as needed to buy out the Scheme's liabilities with an insurer in 2030, and good performance on the Scheme's assets. This was partially offset by a fall in gilt yields which increased the assessment of the amount needed to provide the benefits.

Over 2020, the amount assessed as needed to provide the benefits grew, almost entirely as a result of a further fall in gilt yields. However, assets grew by slightly more driven by significantly better performance than anticipated. This outperformance stemmed from both positive performance on the Scheme's growth assets, as well as a significant increase in the value of the Scheme's matching assets (that are designed to move in line with the liabilities). Overall, the assessed shortfall fell to £14.4m.

The Trustees will continue to monitor the funding position and a summary funding statement for the year to 31 December 2021 will be provided at a similar time in 2022. The next full triennial valuation of the Scheme will be carried out as at 31 December 2022.

Addressing the funding shortfall

Following completion of the 2019 valuation, the Employer has agreed with the Trustees a "recovery plan". The agreed recovery plan comprises ten annual contributions of £1.1m, each payable by 31 March each year. The first payment was made in March 2021 and the final payment must be made by 31 March 2030.

These deficit contributions, together with anticipated investment returns on the Scheme's assets, are designed to enable the Scheme to have sufficient monies to buy-out all the Scheme's remaining liabilities by 31 May 2030.

The importance of support from the Employer

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future.

However, the success of this relies on the Employer continuing to be willing and able to support the Scheme with additional cash if there are funding shortfalls.

By obtaining an unlimited guarantee from Lazard's US parent, Lazard Group LLC at the time of the 2013 triennial valuation, the Trustees believe the overall security of members' benefits has significantly improved.

Securing the benefits payable from the Scheme

As noted above, the Trustees' and the Employer's long term objective is to have sufficient assets to secure the Scheme's liabilities with an insurance company by 2030 and the Funding Agreement sets this out as a specific funding target. The framework for funding of the Scheme is aligned with this objective.

	31 December 2018 Actuarial Report	31 December 2019 Actuarial valuation	31 December 2020 Actuarial Report
Assets	£163.0m	£177.4m	£190.6m
Buyout estimate	£234.4m	229.2m	£242.3m
Shortfall	£71.4m	£51.8m	£51.7m
Funding level	70%	77%	79%

The shortfall on a buyout basis, shown above, reflects an estimate of the current cost of securing all current and future benefits with insurance companies immediately. Insurers are obliged to take a very cautious view of the future; they seek to make a profit and the cost of securing pensions in this way incorporates the cost of the insurer administering the benefits. By contrast, the ongoing funding plan assumes that the Employer will continue in business and continue to support the Scheme, with the buying-out of the remaining benefits, in full, not happening until 2030. Whilst the Scheme remains ongoing, members' benefits will continue to be paid in full, even though funding may temporarily be below target.

It is expected that the gap to our buyout target will close over the period to 2030 through a combination of increasing maturity of the Scheme (which make the cost of buying out lower), investment returns and Employer contributions.

If the Scheme were to start to wind up today, however, the Employer would be required by law to pay enough into the Scheme to enable the members' benefits to be completely secured with an insurance company at the time. It may be, however, that the Employer would not be able to pay this amount in full. If the Employer could not meet this cost and it became insolvent, the Trustees would then seek to secure the additional monies necessary to buy out the benefits from Lazard Group LLC, under the terms of the guarantee, and then buy out the benefits. In the event that the full amount could not be paid by Lazard Group LLC, for instance if that was also in financial difficulty, the Trustees would secure as much of the Scheme's benefits as it could with an insurer. However, in the unlikely event that better benefits could be secured through the Pension Protection Fund, they would take over the Scheme and pay a specific level of compensation to members.

Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

It should be noted that the information in this statement on the Scheme's buyout position is provided to help you understand the financial security of your benefits and the financial implications of the 2030 funding target in the Funding Agreement. Its inclusion does not imply that the Employer is thinking of winding up the Scheme prior to 2030, nor that the Employer is likely to become insolvent.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. The law prevents us, or any employee of Lazard, from providing you with financial advice.

Scheme Investments

The Trustees' policy remains to invest in a broad range of assets. As at 31 December 2020, the Scheme's investment strategy, excluding AVCs, was to invest the Scheme's assets according to the following benchmark:

Global equities	24.0%
Absolute return investments	11.0%
Private credit	7.5%
Total growth assets	**42.5%**
Total matching assets*	**57.5%**

*Matching assets are assets that are designed to move broadly in line with the Scheme's liabilities and include liability driven investment funds and bond funds.

As part of the valuation the Trustees and the Employer discussed the overall split of the benchmark between growth and matching assets, with a view to further de-risking the assets in the run up to 2030. However, it was agreed that at this stage the overall strategy would be unchanged. The Trustees and Employer will continue to assess the appropriateness of the strategy as 2030 approaches.

Further information is set out in the Scheme's Statement of Investment Principles, which is available on request (see below).

Changes to the benefits provided by the Scheme

There have been no changes to the benefits provided by the Scheme since 31 December 2018.

Payments to the Employer

Apart from reimbursement of Trustees' remuneration paid on behalf of the Scheme, there have been no payments to the Employer out of the Scheme's funds since 31 December 2018.

Further information

Information about the Scheme can be accessed online at:
http://www.lazard.com/London-pension-scheme/

When prompted for a User Name and Password, please enter the following:
User Name: uklazard
Password: 1a7ard

Please note that the user name and password are case sensitive and the first and third characters of the password are the numbers one and seven respectively.

The website contains the following documents:

- The Annual Report and Accounts for the year ended 31 December 2019, which shows the Scheme's income and expenditure in the year;
- the Statement of Investment Principles, which sets out the Trustees' objectives for the investments held by the Scheme;
- the Implementation Statement, which explains how the Trustees have implemented their investment principles in relation to voting and engagement;
- the Schedule of Contributions, which shows how much money is being paid into the Scheme by the Employer;
- the full report on the Actuarial Valuation as at 31 December 2019; and
- the actuarial report on the approximate funding position as at 31 December 2020.

Under the latest disclosure requirements, the Scheme's Statement of Investment Principles and Implementation Statement must also be publicly available. As such, those documents can also be found at https://schemedocs.com/lazard-london-directors-pension-scheme.html

Alternatively you may request copies of any of the above documents from the Scheme administrator, Premier Pensions, using the following telephone number and address:

Premier Pensions
AMP House
Dingwall Road
Croydon

David Anderson
Chairman
on behalf of the Trustees of Lazard London Directors' Pension Scheme.

May 2021.