Lazard London Directors' Pension Scheme

Update to members and Summary Funding Statement for the years to 31 December 2016 and 31 December 2017

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 2016, together with an update as at 31 December 2017.

In the case of the Scheme's 31 December 2016 valuation, agreement was formally reached between the Trustees and Lazard & Co., Services Limited ("the Employer") on 21 December 2017. The Actuary has since provided an update of the position as at 31 December 2017. Therefore, this document is designed to include all the information required to act as the formal Summary Funding Statements for 2016 and 2017.

The purpose of this statement

The purpose of this statement is:

- to summarise the results of the recently completed 2016 valuation of the Scheme;
- to explain the reasons why the 2016 funding position is different from the funding position described in the summary funding statement for the year to 31 December 2015;
- 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 2017.

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 2015.

Management of the Scheme

The Scheme comprises funds paid by the Employer and its predecessor business 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 2016, was completed in December 2017.

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 2016 valuation are consistent with this objective We intend to keep this under review at future valuations.

The approximate funding levels at 31 December 2016 and progress since

As at 31 December 2016, the funding position, on an ongoing basis (as described in the Management of the Scheme section above) and buyout basis were assessed as follows:

	Ongoing basis	Buyout basis
Assets	£182.4m	£182.4m
Amount assessed as needed to provide benefits	£206.4m	£273.9m
Shortfall	£24.0m	£91.5m
Funding level	88%	67%

The Scheme Actuary has since provided approximate updates of the funding levels as at 31 December 2017. They are as follows:

	Ongoing basis	Buyout basis
Assets	£181.7m	£181.7m
Amount assessed as needed to provide benefits	£200.4m	£267.5m
Shortfall	£18.7m	£85.8m
Funding level	91%	68%

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 2015. For the 2016 actuarial valuation the Trustees and the Employer agreed to adopt assumptions broadly consistent with the 2013 valuation (and subsequent annual funding updates) except reflecting updated market conditions and up-to-date assumptions regarding life expectancy.

	31 December 2015 Actuarial Report	31 December 2016 Actuarial valuation	31 December 2017 Actuarial Report
Assets	£159.0m	£182.4m	£181.7m
Amount assessed as needed to provide benefits	£172.8m	£206.4m	£200.4m
Shortfall	£13.8m	£24.0m	£18.7m
Funding level	**92%**	**88%**	**91%**

As shown above, the funding position dipped in 2016, despite achieving good investment returns on the Scheme's assets. This was because the Trustees increased their assessment of the assets required in order to be able to be confident of paying all the benefits promised. In making this decision the Trustees took into account a number of factors, most significant of which was changes in market conditions, in particular the reduction in the yields available on gilts.

Over 2017 gilt yields fell again which would, in isolation, have led to a further increase in the Trustees' assessment of the amount needed to provide the benefits. However, continued good investment performance, together with a rise in the number of members choosing to transfer out of the Scheme has led to an overall improvement in the funding position.

The Trustees will continue to monitor the funding position and a summary funding statement for the year to 31 December 2018 will be provided at a similar time in 2019. The next full triennial valuation of the Scheme will be carried out as at 31 December 2019.

Addressing the funding shortfall

Following completion of the 2016 valuation, the Employer has agreed with the Trustees a "recovery plan" that comprises:

- a contribution of £7m to be paid by the Employer by 31 March 2018, of which £2.3m was paid in December 2017; and
- ten annual contributions of £1.3m, each payable by 31 March each year. The first payment must be made by 31 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.

The higher shortfall on a buyout basis, shown above, reflects an estimate of the 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.

If the Scheme were to start to wind up, 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 2017, 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.

This overall split of the benchmark between growth and matching assets is unchanged from the previous summary funding statement provided to you during 2016.

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

Changes to the benefits provided by the Scheme

There have been no changes to the benefits provided by the Scheme since 31 December 2015.

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 2015.

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:

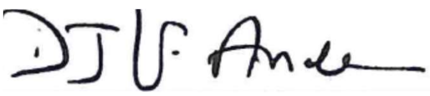
- The Annual Report and Accounts for the year ended 31 December 2016, which shows the Scheme's income and expenditure in the year;
- the Statement of Investment Principles, which explains how the Trustees invest the money paid into the Scheme;
- the Schedule of Contributions, which shows how much money is being paid into the Scheme by the Employer;
- the full report on the Actuarial Valuation as at 31 December 2016; and
- the actuarial report on the approximate funding position as at 31 December 2017.

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

Capita Employee Benefits
Kintyre House
205 West George Street
GLASGOW
G2 2LW

Telephone: 0141 222 5131 **Email:** joan.gorman@capita.co.uk

Please also contact Capita if you change your address or if you require any more information about the Scheme.



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

March 2018.