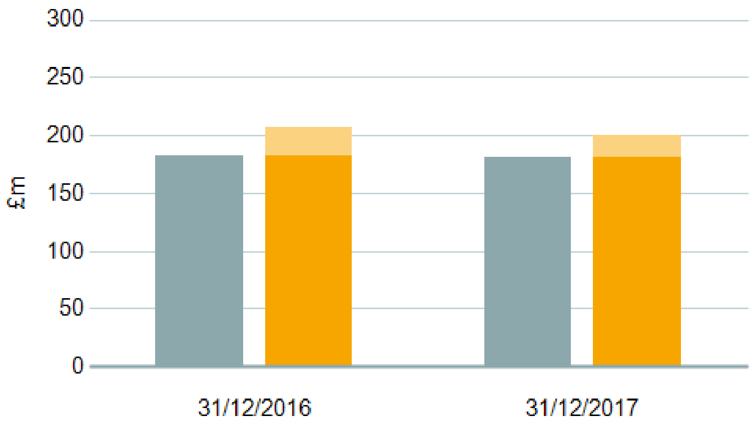
Lazard London Directors' Pension Scheme ("the Scheme")
Actuarial report as at 31 December 2017

This report is addressed to the Trustees of the Scheme and is the first actuarial report since the completion of the actuarial valuation as at 31 December 2016. Its purpose is to provide you with an estimate of the ongoing funding position as at 31 December 2017 and an indication of how the funding position has developed from 31 December 2016 to 31 December 2017.

We have undertaken this work assuming that there are no specific decisions for you to take as a result of this report. Appendix 1 sets out further details of the scope of our work.

1. Estimate of funding position as at 31 December 2017

I set out in the table and chart below my estimate of the ongoing funding position as at 31 December 2017, with figures at 31 December 2016 for ease of comparison.



Asset value	£182.4m	£181.7m
Technical provisions	£206.4m	£200.4m
(Deficit) / Surplus	(£24.0m)	(£18.7m)

The chart below shows the development of the deficit from 31 December 2016 until 19 January 2018, together with the position, had experience been in line with assumptions adopted for the previous valuation.

It shows that the deficit has varied between about £27m and £11m over the period and that by 19 January 2018 the deficit had decreased to about £11m.

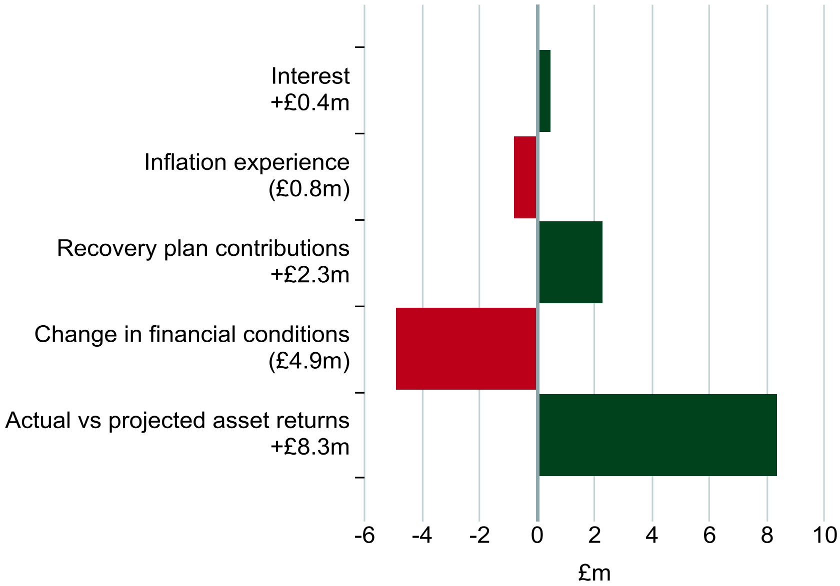
It illustrates how sensitive the funding position is to market movements, even over short time periods.

The Appendix provides details of the method, data and assumptions that we have used in our calculations.

We note that the 31 December 2017 position include allowance for the initial deficit contribution paid in December 2017. The estimated position as at 19 January includes allowance for the further deficit contribution paid in early January 2018.

2. Change in funding position from 31 December 2016 to 31 December 2017

The deficit decreased by £5.3m between 31 December 2016 and 31 December 2017 and the main reasons for this are shown below.



3. Next steps

The Trustees are required to provide a copy of this report to the employer within seven days of receiving it. Certain information in this report also needs to be included in the summary funding statement to members, which we understand will be sent in the coming months.

The next actuarial report is due with an effective date as at 31 December 2018 and the next full actuarial valuation is due as at 31 December 2019.

Jeremy Dell FIA
Partner
Appointed Scheme Actuary

30 January 2018

Direct tel: +44 (0)20 7432 6744
Email: jeremy.dell@lcp.uk.com

95 Wigmore Street
London W1U 1DQ
www.lcp.uk.com

The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with the Trustees of the Lazard London Directors' Pension Scheme ("Our Client").

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing. We accept no liability to anyone who is not Our Client although we acknowledge that you are required to pass it to the employer sponsoring the scheme.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please make it clear that we accept no liability towards them.

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. Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 300: Pensions.

Scope

We have prepared the calculations in this report in accordance with the requirements of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

We have undertaken this work assuming that there are no specific decisions for you to take as a result of this report. Please contact me if you do intend to take some specific actions on receiving this report, as it may then be appropriate for me to provide additional advice.

For the purpose of this report, and consistently with the valuation we have excluded all liabilities relating to defined contribution benefits including AVCs, for which the value is equal to the value of the corresponding assets. We have estimated the value of the insured annuities as at 31 December 2017 and included that figure within the assets and technical provisions shown.

This report does not consider the solvency level of the Scheme, either on a buy-out basis or on a basis relative to the compensation provided by the Pension Protection Fund. The cost of buying out benefits with an insurance company is likely to be significantly higher than the technical provisions.

It is possible that the technical provisions may prove to be too low on account of any back–dated adjustment to benefits arising from equalisation or discrimination issues or from future legislation or court judgments.

Method, data and assumptions

1. Method

We have estimated the technical provisions as at 31 December 2017 by projecting forward the technical provisions as at 31 December 2016. Our projection allows for:

- changes in the financial assumptions;
- interest on the technical provisions;
- increases to pensions in payment / revaluation of deferred benefits since 31 December 2016; and
- net payments out of the Scheme.

We have assumed that all other experience over the period was in line with the assumptions used in calculating the technical provisions, as set out in the Fund's Statement of Funding Principles. If the Scheme's experience was significantly different from these assumptions or if there were significant events of which we are not aware, then the technical provisions based on a full actuarial valuation could be significantly different from those we have estimated.

I note that under the existing Statement of Funding Principles, agreed as part of the 2016 valuation, the technical provisions are calculated with an allowance for the broad cost of buying out the remaining benefits in 2030 (in excess of valuing the benefits on a gilts basis). This additional cost was £23m for the purpose of the 31 December 2016 valuation, to be reviewed at future valuations. We have not carried out any analysis at this stage to check whether that allowance remains reasonable based on current insurer pricing.

2. Data used to estimate the technical provisions as at 31 December 2017

We have based our calculations on the following data:

- the membership data provided for the actuarial valuation of the Scheme as at 31 December 2016 and summarised in our preliminary valuation results dated 2 March 2017; and
- an estimated figure of £14.5m in respect of net benefit cash flow out of the Scheme for the year to 31 December 2017 from data provided by Capita.

3. Special events

We understand that over the period between 31 December 2016 and 31 December 2017 there were no material changes to the Scheme.

4. Assets as at 31 December 2017

We have based the asset figure on the unaudited accounts as at 31 December 2017 that have been provided by the investment managers, showing a total asset figure (excluding AVCs and insured annuities) of £174.5m. To this we have added the estimated value of the insured annuities (£7.2m), calculated using the assumptions as those detailed in Section 4 below.

It is possible that the final asset figure shown in the audited accounts could be different. This would affect the funding position at 31 December 2017 disclosed in this report.

5. Assumptions as at 31 December 2017

Our calculations are based on the assumptions set out in the Trustees' statement of funding principles dated 21 December 2017, updated only to reflect changes in gilt yields between 31 December 2016 and 31 December 2017.

The key financial assumptions are set out below along with those at 31 December 2016 for comparison. All non-financial assumptions are as set out in the statement of funding principles dated 21 December 2017.

	31 December 2017	31 December 2016
Rate of return from gilts	1.7% pa	1.7% pa
Price inflation		
Retail Price Inflation (RPI)	3.4% pa	3.5% pa
Consumer Price Inflation (CPI)	2.4% pa	2.5% pa
Overall assumed return in excess of gilt yields		
- Up to 31 May 2020	1.4% pa	1.4% pa
- 01/06/2020 – 31/05/2030	1.1% pa	1.1% pa
- From 01/06/2030	0.0% pa	0.0% pa
Additional cost of buying out the benefits in 2030	£23m in 2030	£23m in 2030
Rate of pension increases		
CPI, maximum 5% pa, minimum 3% pa	3.3% pa	3.4% pa

All financial assumptions are term-dependent and calculated by reference the relevant gilt yield curves. The rates above are approximate single-equivalent rates, weighted by reference to the Fund's projected benefit cashflows.

6. Projections between 31 December 2016 and 31 December 2017

Sections 1 to 5 above describe the data and assumptions we have used to estimate the funding position as at 31 December 2017.

We have produced the figures calculated at other dates between 31 December 2016 and 31 December 2017 (as shown in Section 1 of this paper) using a more approximate method as they are for illustration only. In producing these figures, we have projected the technical provisions and asset figures as at 31 December 2016 on a daily basis to allow approximately for:

- investment performance, using certain index returns as a broad proxy for this;
- interest on the technical provisions;
- changes in the technical provisions due to changes in gilt yields; and
- deficit contributions and an estimate of other net payments into and out of the Scheme.