

LAZARD LONDON STAFF PENSION SCHEME

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2019

Scheme Registration Number: 10051354

LAZARD LONDON STAFF PENSION SCHEME

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LAZARD LONDON STAFF PENSION SCHEME

TRUSTEES AND THEIR ADVISERS YEAR ENDED 31 DECEMBER 2019

Trustees

Mr D Anderson (Chair)
Mrs H.C.B Britton
Mrs M Corti (Member nominated)
Mrs B Albage Gough-Cooper
Mr M Trueblood (Member nominated)
The Law Debenture Pension Trust Corporation plc
represented by Samantha Pitt (Independent)

Secretary to the Trustees

Barnett Waddingham
2 London Wall Place
123 London Wall
London
EC2Y 5AU

Scheme Actuary

Mr J Dell (FIA)
Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Scheme Administrators

Premier Pensions Management Ltd (appointed 1 September 2019)
AMP House
Dingwall Road
Croydon
CR0 2LX

Capita Employee Solutions (removed 31 August 2019)
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AQ

Additional Voluntary Contribution (AVC) Provider

The Prudential Assurance Company Limited
121 King's Road
Reading
RG1 3ES

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TRUSTEES AND THEIR ADVISERS YEAR ENDED 31 DECEMBER 2019

Employer Covenant Adviser

PwC LLP
7 More London Riverside
London
SE1 2RT

Investment Managers

Aegon Asset Management Europe (Ireland) ICAV
Citibank Europe PLC
Transfer Agency
3rd Floor Citibank Europe PLC
1 North Wall Quay
Dublin 1
Ireland

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

ICG Longbow
42 Wigmore Street
London
W1U 2RY

Insight Investment Management Limited
160 Queen Victoria Street
London
EC4V 4LA

Lazard Asset Management Limited
50 Stratton Street
London
W1J 8LL

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

Legal Adviser

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

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TRUSTEES AND THEIR ADVISERS YEAR ENDED 31 DECEMBER 2019

Investment Adviser

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

Banker

Clydesdale Bank plc (trading as Yorkshire Bank) (appointed 1 September 2019)
48-50 Market Street
Manchester
M1 1PW

National Westminster Bank Plc (removed 31 August 2019)
42 High Street
Sheffield
S1 2GE

Principal Employer

Lazard & Co, Services Limited
50 Stratton Street
London
W1J 8LL

Investment Custodians

Citibank Europe PLC
1 North Wall Quay
3rd Floor Transfer Agency
Dublin 1
Ireland

RBC Investor & Treasury
Riverbank House
2 Swan Lane
London
EC4R 3AF

Northern Trust
50 Bank Street
Canary Wharf
London
E14 5NT

Other Enquiries

Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

LAZARD LONDON STAFF PENSION SCHEME

TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Trustees of the Lazard London Staff Pension Scheme ("the Scheme") are pleased to present their report together with the financial statements for the year ended 31 December 2019. The Scheme is a defined benefit scheme, provided for employees of the Principal Employer, Lazard & Co, Services Limited ("the Company") and its predecessors and Lazard Asset Management Limited, together the "UK employing companies". It provides members with a retirement pension based on pensionable salary and years of membership. In addition, members were previously able to secure money purchase benefits by making voluntary contributions.

The Scheme was closed to entrants with effect from 1 January 2002 and ceased accrual of future benefits from 31 March 2006. This does not affect benefits accrued up to 31 March 2006.

Members of the Lazard London Staff Scheme were contracted out of the State Second Pension (S2P) while they were members of the Scheme.

Management of the Scheme

The names of the Trustees are included on page 1.

Two thirds of the Scheme Trustees are Company Nominated and in accordance with the Pensions Act 2004, one third of the Trustees are nominated by the members under the rules notified to the members of the Scheme, to serve for an initial period of five years. Nominations from Scheme members are invited and the incumbents may also put themselves forward for an additional five year term. Members are asked to vote to elect the Member Nominated Trustees for the next five-year term. In the event that there is only one nomination, the person nominated will automatically be appointed as a Trustee.

Any removal of a Member Nominated Trustee before the end of the five year term requires the agreement of all of the other Trustees.

Although the appointed Trustees are responsible for the overall management of the Scheme, the operation of the Scheme is delegated to the Secretary and certain third party advisors, whose performance is monitored by the Trustees.

The Trustees are responsible for managing the Scheme in the best interests of its members and they meet on a regular basis to discuss all aspects of the Scheme and its operation. The Trustees held 6 formal meetings during the year.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires the Trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustees' Knowledge and Understanding, to assist the Trustees on this matter, which became effective from 6 April 2006. The Trustees receive regular training which enables them to meet the Pension Regulator's Trustee Knowledge and Understanding requirements.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Governance and Risk Management

The Trustees and the Scheme Administrator have considered the key risks affecting the Scheme and have implemented internal controls to mitigate these risks in accordance with the guidelines contained in the Pensions Regulator's Codes of Practice. The Trustees and the Scheme Administrator continually monitor the effectiveness of these controls and also undertake regular governance and compliance reviews to ensure the Scheme is managed in accordance with the Scheme's Rules and the requirements of the law.

The Trustees have in place a risk register and business plan that sets out the Trustees' objectives in areas such as administration, investment, funding and communication, to help the Trustees run the Scheme efficiently and serves as a useful reference document.

Recent Developments

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees are aware that the issue will affect the Scheme and have already considered this in detail. Work is ongoing as further guidance becomes available. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Coronavirus Pandemic – impact on investments

In 2020, a new coronavirus, COVID-19, affected a significant number of countries globally. It has caused disruption to economic activity, which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Scheme assets. The Trustees have designed and implemented the Scheme's investment strategy taking a long-term view and has built in resilience to withstand short-term fluctuations, such as this. The Trustees have been actively monitoring both the financial security of the Scheme and the suitability of the investment strategy and will continue to do so throughout the pandemic, and beyond. The actuarial valuation as at 31 December 2019 (which calculates any shortfall between the Scheme's assets and liabilities) is underway and any negative funding impact stemming from Covid-19 and the fluctuating investment markets will be considered as part of that process.

The Trustees also continue to monitor the employer covenant and have been receiving regular updates from the Company about the impact of COVID-19 on their business and do not currently have any significant concerns.

The Trustees and their advisers are closely monitoring Government advice in relation to the Covid-19 pandemic, and taking all appropriate action as directed. The internal controls and business continuity plans in place have ensured that the Scheme has been able to continue to operate. As part of this, Trustees' meetings are being held remotely and all advisers / service providers have been able to work from home with minimal negative impact.

Pension Increases

The pension increases for the Scheme applied for the year were as follows:

The post April 1998 Guaranteed Minimum Pension (GMP) was increased by 3.3% (2018:4.0%). This increase did not apply to any GMP which was earned in respect of service before 1988, since such increases are determined separately by the government. Pensions in payment as at 1 January 2019 were increased by 3.3% (2018:4%)

LAZARD LONDON STAFF PENSION SCHEME

TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Calculation of Transfer Values

Transfer values are calculated in accordance with the statutory cash equivalent requirements of the Pension Schemes Act 1993 as amended by The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/2450) which took effect from 1 October 2008.

None of the transfer values paid were less than the amount required by the regulations.

Membership

Details of the membership of the Scheme as at 31 December are shown below:

	2019	2018
Pensioners		
Pensioners at the start of the year	416	406
Re-instatement	-	1
Retirements	12	16
Deaths	(10)	(9)
New spouses and dependants	-	4
Pensions suspended	-	(2)
Pensioners at the end of the year	<u>418</u>	<u>416</u>
Deferreds		
Members with deferred benefits at the start of the year	529	577
Retrospective status change	-	(2)
Retirements	(12)	(16)
Transfers out	(14)	(30)
Members with deferred benefits at the end of the year	<u>503</u>	<u>529</u>
Total Membership at the end of the Year	<u><u>921</u></u>	<u><u>945</u></u>

Of the 418 pensioners at year end, there were 61 individuals (2018:66) receiving a pension following the death of their spouse and there were 20 pensioner annuitants (2018:22) who are members of the Scheme and have had part of their benefits secured by the purchased of annuities.

These membership figures do not include movements notified to the Administrator after the Scheme year end date.

Financial Development of the Scheme

The financial statements on pages 18 to 32 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the Scheme has increased from £282,545,000 at 31 December 2018 to £304,385,000 as at 31 December 2019.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The Trustees of the Lazard London Staff Pension Scheme agreed with the UK employing companies the terms of the Funding Deed, which was executed on 30 August 2005, and amended on 31 March 2015.

The main ongoing funding objective of the Deed is to achieve full funding on a “Buyout Basis” by 31 March 2030.

As part of discussions with the UK employing companies regarding the 2013 valuation, the Trustees agreed additional security in the form of an uncapped guarantee from Lazard Group LLC. The security is conditional on the Trustees and UK employing companies continuing to work together to agree the Scheme’s investment strategy over the period to 2030.

Actuarial Position of the Scheme

A summary of the funding position as at 31 December 2016, the date of the latest actuarial valuation of the Scheme, shows the following:

	£ M
Assets:	297.9
Liabilities:	314.9
Deficit :	17.0
Funding Level:	95%

In order to remove the deficit, the Trustees agreed with the Company that the Company will contribute cash payments into the Scheme of:

- £3m by 31 March 2018, £975,000 of which was received on 22 December 2017 and the remainder was received on 3 January 2018; and
- £0.2m per year from 2021 to 2030.

The agreed contributions, as set out above, were expected to repair the deficit (based on market conditions at the valuation date) by 31 March 2030.

The results of the 31 December 2019 triennial actuarial valuation are not yet available (it is due to be completed within the 15 month statutory deadline). The last formal funding update from the Scheme Actuary has estimated that, as at 31 December 2018, the funding level of the Scheme had deteriorated to an estimated deficit of £20.3m. the worsening since 31 December 2016 is primarily driven by the fall in government bond yields that has acted to increase the amount needed to provide benefits, despite positive asset performance and the deficit reduction contributions received from the Company.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Report on Actuarial Position of the Scheme (continued)

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions

The key assumptions used for calculating the technical provisions and future contribution requirement for the Scheme were:

Discount interest rate:

Term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an overall return in excess of gilts (summarised in the table below):

Period	Overall return in excess of gilts
31/12/2016 – 31/05/2020	1.4 % p.a.
01/06/2020 – 31/05/2030	1.1 % p.a.
From 01/06/2030	0.0 % p.a.

Future Retail Price inflation: Term dependent rates derived from the Bank of England fixed interest and index linked gilt curves at the valuation date.

Future Consumer Price inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.0% per annum.

Pension increases: derived from the term dependent rates for future price inflation allowing for the caps and the floors on pension increases according to the provisions in the Scheme's rules.

Mortality: For the period in retirement, standard tables S2NA with a scaling factor of 92% projected from 2007 in line with the CMI 2016 core projections with a long-term annual rate of improvement of 1.5% for males and 1.25% for females. For pre-retirement mortality the AC00 tables are used.

GMP Equalisation: No provision has been included in respect of GMP Equalisation liability.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Matters

The Trustees, with the assistance of their appointed investment adviser, determine the overall investment strategy for the Scheme and set out the broad policy to be adopted by each of the appointed fund managers.

Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP) which was updated in September 2019 in line with the new ESG guidelines, which includes the Trustees' policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy from the Secretary to the Trustees, details of which are listed on page 1.

This Statement may change from time to time according to advice received from the investment adviser and with input from the investment managers.

Investment Managers

The names of those who have managed the Scheme's investments during the year are listed on page 2. The Trustees have delegated day to day management of investments to their appointed fund managers, a written agreement between the Trustees and each manager sets out the terms on which the manager will act.

As at 31 December 2019, the Scheme had six investment managers.

Employer-Related Investments

The Scheme's investment managers have confirmed that, as at 31 December 2019, there were no direct or indirect employer-related investments held by the Scheme.

Investments under management by Lazard Asset Management Limited represented 14.3% of the net assets.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Matters (Continued)

Asset Allocation

The Scheme's asset allocation as at 31 December 2019 (excluding AVC investments and cash held to meet net outflows), was split approximately as follows:

Name	Portfolio	2019 (%)	2018 (%)
Ruffer	Absolute return portfolio	10.8	10.7
Lazard Asset Management	Defensive equities	14.5	13.5
Baillie Gifford	Global equities	14.5	13.0
Longbow	Private growth	4.0	4.9
	Total "Growth Assets"	43.8	42.1
Insight	Liability matching portfolio	42.8	57.9
Aegon	Liability matching portfolio	13.4	-
	Total "Defensive" Assets	56.2	57.9
	Total Scheme	100.0	100.0

The asset allocation has been set by the Trustees such that the Scheme's investments (excluding cash held to meet net outflows) should comprise 42.5% return seeking assets and 57.5% 'defensive' assets. The Trustees will review the Scheme's asset allocation from time to time, to ensure that the split between growth and defensive assets remains within 5% of the target allocation.

Investment Performance

The investment performance in this section is for the Scheme's invested assets. The returns from the Scheme's AVC investments, insurance policies, Insight's cash sub-portfolio and Trustees' bank accounts are not included. Unless otherwise stated, all the returns are shown after the deduction of investment management fees.

The overall Scheme benchmark return is calculated as a composite of each of the underlying investment manager's benchmark returns weighted by each manager's asset allocation.

	1 Year %	3 Years % p.a.	5 Years % p.a.
Scheme	13.0	5.6	8.1
Benchmark	12.8	5.8	8.0
Relative Performance	0.2	(0.2)	0.1

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Custodial Arrangements

The Scheme's equity managers are each responsible for custody of their assets in the pooled equity funds in which the Scheme invests, with BNY Mellon the sub-custodian for both Baillie Gifford and Lazard Asset Management.

Under the investment management agreement with Ruffer LLP, the Trustees use RBC Investor Services as custodian, with the custody being arranged by Ruffer.

Deutsche Bank Luxembourg S.A. is the depositary for pooled funds invested with ICG-Longbow IV GP SARL.

Northern Trust is custodian for the pooled funds invested with Insight Investment Management Limited.

Aegon investment management have appointed Citibank Europe PLC as custodian.

The custodians and depositary are responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments and are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Investments are held in the name of the custodians' nominee companies, in line with common practice for pension Scheme investments.

Environmental, Social and Governance Matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Compliance Matters

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator (TPR) and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 1011
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

The Money and Pensions Service

For any general enquiries on their pensions, members can contact the Money and Pensions Service. A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, the Service can be contacted at:

Money and Pensions Service
120 Holborn,
London
EC1N 2TD

Telephone: 0115 965 9570
Email: contact@maps.org.uk
Website: www.maps.org.uk

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Compliance Matters (continued)

The Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their Scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Ombudsman. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

Data Protection

The Trustees are registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Scheme. Premier Pensions Management Ltd (Scheme's Administrator) is registered as a Data Processor under GDPR guidelines (formerly under the Act).

Enquires

All enquires about the Scheme generally, or about an individual's entitlement to benefits should be addressed to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX or the Scheme Secretary at LazardPension@Barnett-Waddingham.co.uk

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.


The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the dates on or before which such contributions are to be paid. The Trustees are also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees are responsible for the maintenance and integrity of the financial information of the scheme included on the scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Trustees Report and Statement of Trustees Responsibilities were approved by the Trustees and signed on their behalf by:

Trustee: 

Trustee: 

Date 2/7/2020

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Report to the Trustees of the Lazard London Staff Pension Scheme

Opinion

We have audited the financial statements of Lazard London Staff Pension Scheme (the 'scheme') for the year ended 31 December 2019, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2019, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Trustees and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Scheme associated with these particular events.

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Trustee's conclusions, we considered the risks associated with the Scheme's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' responsibilities statement set out on page 14, the Trustees are responsible for the preparation of financial statements which show a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the scheme, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

2/7/2020

LAZARD LONDON STAFF PENSION SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000s	2018 £'000s
Contributions and Benefits			
Employer contributions	4	255	2,325
Other Income	5	5	-
		<u>260</u>	<u>2,325</u>
Benefits and Payments to Leavers			
Benefits paid or payable	6	(6,631)	(6,802)
Payment to and on account of leavers	7	(6,758)	(13,219)
Administrative expenses	8	(221)	(351)
		<u>(13,610)</u>	<u>(20,372)</u>
Net Withdrawals from Dealings with Members		<u>(13,350)</u>	<u>(18,047)</u>
Returns on Investments			
Investment income	9	1,305	1,523
Change in market value of investments	11	34,142	(8,146)
Investment management expenses	10	(257)	(462)
Net Returns on Investments		<u>35,190</u>	<u>(7,085)</u>
Net Increase/(Decrease) in the fund		<u>21,840</u>	<u>(25,132)</u>
Net Assets at 1 January		<u>282,545</u>	<u>307,677</u>
Net Assets at 31 December		<u>304,385</u>	<u>282,545</u>

The notes on pages 20 to 32 form an integral part of these financial statements.

LAZARD LONDON STAFF PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) FOR THE YEAR ENDED 31 DECEMBER 2019


	Note	2019 £'000s	2018 £'000s
Investment Assets			
Pooled investment vehicles	12	276,037	255,884
Bonds	11	11,419	13,768
Equities	11	10,916	8,763
AVC investments	13	1,812	1,728
Cash	11	1,204	603
Other investment balances*	11	762	404
Insurance policies	14	396	507
Derivatives	16	87	-
		<u>302,633</u>	<u>281,657</u>
Investment Liabilities			
Derivatives	16	(1)	(30)
		(1)	(30)
Total Net Investments		302,632	281,627
Current Assets	20	1,844	1,186
Current Liabilities	21	(91)	(268)
Net Assets at 31 December		<u>304,385</u>	<u>282,545</u>

* Other investment balances is made up of accrued income and cash in transit.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on actuarial liabilities on pages 7 and 8 and the Actuarial Certificate on page 33 of the annual report and these financial statements should be read in conjunction with them.

The notes on pages 20 to 32 form part of these Financial Statements.

The Financial Statements were approved on behalf of the Trustees by:

Trustee: 

Trustee: 

Date 2/7/2020

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

- The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (the "SORP"). In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustees are satisfied that the adoption of the revised SORP has not had a material impact on the financial statements.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is registered as a trust under English law. The address for enquiries is included in the Trustees Report.

3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements and have been applied consistently.

3.1 Contributions and Benefits

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier.

Employer expenses contributions are accounted for as and when they fall due for payment.

Benefits, and any associated taxation due to lifetime or annual allowances where the member has elected for the Scheme to settle the liability on their behalf, are accounted for in the period in which the member notifies the Trustees of his/her decision on the type of amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Individual transfers out of the Scheme are accounted for when member liability is discharged, which is normally when the transfer amount is paid.

3.2 Investment and other Income

Income from cash and short term deposits is accounted for on an accruals basis.

Dividends from equities are accounted for on the ex-div date.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Receipts from insurance policies are accounted for as investment income on an accruals basis to match the timing of the related benefits payable.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

3.2 Investment and other Income (continued)

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns in the Fund Account.

Interest on bank deposits is accounted for as it accrues.

3.3 Valuation of Investments

The investments are included at fair value.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of fixed income securities and is included in invested income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Over the counter (OTC) derivatives are valued using the following valuation techniques:

Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Insurance policies have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

3.4 Transfers

Transfer values have been included in the financial statements when paid. They do not take account of members who have notified the Scheme of their intention to transfer.

Individual transfer values to other pension arrangements represent the amounts paid during the year for members who left the Scheme and are accounted for when a member exercises their option to transfer their benefits.

3.5 Administrative and Investment Management Expenses

Except as noted in Notes 8 and 10, Administrative expenses are met by the Employer and investment management expenses are met by the Scheme and accounted for on an accruals basis.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3 ACCOUNTING POLICIES (continued)

3.6 Currency

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transaction are recorded in sterling at the spot exchange rate at the date of the transaction.

4. EMPLOYER CONTRIBUTIONS

	2019 £'000s	2018 £'000s
Deficit funding	-	2,025
Expenses	<u>255</u>	<u>300</u>
	<u>255</u>	<u>2,325</u>

The latest Schedule of Contributions was signed on 21 December 2017 and a deficit funding contribution of £3,000,000 was payable by 31 March 2018. However, with agreement of the Employers and Trustees, £975,000 was paid and recognised in December 2017. The remaining £2,025,000 was received by the Scheme on 3 January 2018. In addition, and in accordance with the recovery plan dated 21 December 2017, annual deficit contributions of £200,000 are payable from 31 March 2021 to 31 March 2030. Other contributions relate to employer reimbursements of the expenses of administration, professional fees and levies up to an agreed maximum.

5. OTHER INCOME

	2019 £'000s	2018 £'000s
Bank interest	<u>5</u>	<u>-</u>

6. BENEFITS PAID OR PAYABLE

	2019 £'000s	2018 £'000s
Pensions	6,178	5,987
Trivial commutations and lump sums on retirement	443	810
Death benefits	<u>10</u>	<u>5</u>
	<u>6,631</u>	<u>6,802</u>

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2019 £'000s	2018 £'000s
Individual transfers to other schemes	<u>6,758</u>	<u>13,219</u>

8. ADMINISTRATIVE EXPENSES

	2019 £'000s	2018 £'000s
Administration and processing*	71	78
Actuarial*	58	129
Trustee services	43	64
Audit *	19	18
Legal fees *	19	52
PPF Levy*	<u>11</u>	<u>10</u>
	<u>221</u>	<u>351</u>

*reimbursed by the Company, up to a ceiling agreed in the Schedule of Contributions, see note 4.

9. INVESTMENT INCOME

	2019 £'000s	2018 £'000s
Income from private credit	725	1,101
Dividends from equities	269	242
Income from bonds	79	78
Insurance policies	61	69
Other Income from pooled investment vehicles	171	32
Interest on cash deposits	<u>-</u>	<u>1</u>
	<u>1,305</u>	<u>1,523</u>

10. INVESTMENT MANAGEMENT EXPENSES

	2019 £'000s	2018 £'000s
Administration, management & custody	369	727
Investment manager fee rebates	<u>(112)</u>	<u>(265)</u>
	<u>257</u>	<u>462</u>

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT RECONCILIATION

Reconciliation of investments held at the beginning and the end of the year:

	Value at 1 January 2019 £'000s	Cost of Purchases & derivative payments £'000s	Proceeds of sales & derivative receipts £'000s	Change in Market Value £'000s	Value at 31 December 2019 £'000s
Pooled Investment vehicles	255,884	123,167	(134,436)	31,422	276,037
Equities	8,763	6,983	(6,789)	1,959	10,916
Bonds	13,768	16,453	(19,229)	427	11,419
Derivatives	(30)	823	(988)	281	86
Insurance policies	507	-	-	(111)	396
AVC investments	1,728	-	(80)	164	1,812
	<u>280,620</u>	<u>147,426</u>	<u>(161,522)</u>	<u>34,142</u>	<u>300,666</u>
Cash deposits	603				1,204
Other investment balances	404				762
	<u>281,627</u>				<u>302,632</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Other investment balances is made up of accrued income and cash in transit.

12. POOLED INVESTMENT VEHICLES (PIVs)

The holdings of PIVs at 31 December are analysed below:

	2019 £'000s	2018 £'000s
Equities	90,225	76,279
Bonds	126,714	106,026
Private credit	12,055	13,626
Cash	4,357	8,178
Precious metals	2,050	2,005
Hedge funds	40,636	49,770
	<u>276,037</u>	<u>255,884</u>

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustees holds assets invested separately from the main fund to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual benefit statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2019 £'000s	2018 £'000s
Prudential Deposit Fund	17	17
Prudential Discretionary Fund	907	801
Prudential With-Profits Cash Accumulation Fund	<u>888</u>	<u>910</u>
	<u><u>1,812</u></u>	<u><u>1,728</u></u>

14. INSURANCE POLICIES

The Scheme held insurance policies at the 31 December end as follows:

	2019 £'000s	2018 £'000s
Prudential	<u>396</u>	<u>507</u>

15. TRANSACTION COSTS

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Transaction costs analysed by main class and type of cost are as follows:

	Commission £'000s	Stamp Duty £'000s	2019 £'000s
Equities	<u>5</u>	<u>11</u>	<u>16</u>

	Commission £'000s	Stamp Duty £'000s	2018 £'000s
Equities	<u>11</u>	<u>11</u>	<u>22</u>

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments in pooled investment vehicles and charges made within those vehicles.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. DERIVATIVES OBJECTIVES AND POLICIES

The Trustees have authorised the use of derivatives by certain investment managers as part of their investment strategy for the Scheme as follows:

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Contract	Settlement Expire	Currency Bought	Value of Currency Bought £'000s	Currency Sold	Value of Currency sold £'000s	Aggregate asset	Aggregate liability
Forward OTCs	2-3 months	EUR	228	GBP	229	-	(1)
Forward OTCs	2-3 months	USD	11,607	GBP	11,694	87	-
Total 2019						87	(1)
<i>Total 2018</i>						-	(30)

The use of foreign exchange contracts have been put in place by certain investment managers to reduce the currency exposure.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level: 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

Level: 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

Level: 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

For the purposes of this analysis, daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2019 £'000s
Equities	10,916	-	-	10,916
Bonds	11,419	-	-	11,419
Pooled investment vehicles	-	263,982	12,055	276,037
Derivatives	-	86	-	86
Insurance policies	-	-	396	396
AVC Investments	-	924	888	1,812
Cash	1,204	-	-	1,204
Other investment balances	762	-	-	762
	24,301	264,992	13,339	302,632
	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2018 £'000s
Equities	8,763	-	-	8,763
Bonds	13,768	-	-	13,768
Pooled investment vehicles	-	242,258	13,626	255,884
Derivatives	-	(30)	-	(30)
Insurance policies	-	-	507	507
AVC Investments	-	818	910	1,728
Cash	603	-	-	603
Other investment balances	404	-	-	404
	23,538	243,046	15,043	281,627

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

- **Credit Risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market Risk:** this comprises currency risk, interest rate risk and other price risk.
- **Currency Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest Rate Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other Price Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine the investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to the aforementioned risks via the investments held to implement the investment strategy. The Trustees manage investment risks, including credit risk and market risk considering the Scheme's investment objectives and strategy, and the advice of their investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustees monitor the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the approach of the Trustees to risk management is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

INVESTMENT STRATEGY

The investment objective set out by the Trustees is to achieve the best overall investment return in moving towards the 2030 target set out in the Funding Deed, with a level of risk that is commensurate with this objective, having regard to the agreed level of Employer contributions and the covenant of the Employers.

The Trustees set the investment strategy for the Scheme after taking advice from the Scheme's Investment Adviser and consulting with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP). Day to day investment management has been delegated to the six investment managers with whom the Trustees have put in place investment mandates to implement the strategy.

The current strategy is to hold assets per below. The Trustees will review the Scheme's asset allocation from time to time, to ensure that the split between growth and defensive assets remains within 5% of the target allocations.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT RISKS (continued)

a) 57.5% in “defensive” investments. These are investments that either move in line with long term liabilities of the Scheme or which the Trustees consider less risky investments. The underlying investments include corporate and government bonds, interest rate and inflation swaps and other derivatives.

b) 42.5% in return seeking investments comprising global equities, a multi-asset mandate whereby the investment manager has discretion to invest in a wide range of asset classes and a private credit mandate.

i) Credit Risk

The Scheme invests in pooled investment vehicles and consequently is subject to credit risk in relation to the solvency of the investment manager and custodian of those funds. In addition, where the Scheme holds assets via a segregated portfolio with Ruffer, the Scheme is directly exposed to credit risk in relation to the custodian.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers and custodians operate and diversification of investments amongst a number of pooled funds and segregated portfolios. The Trustees carry out due diligence checks prior to the appointment of any new investment manager investment in any fund and monitor for changes to the operating environment of the existing pooled funds and custodian of the segregated assets.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds, derivatives or cash. This is relevant for the Scheme’s private credit and liability matching portfolios (including absolute return bonds) held with Longbow and Insight respectively. The Scheme is directly exposed to credit risks arising from the underlying investments held by the segregated portfolio with Ruffer. The amount invested in each of these mandates is shown in the Statement of Net Assets.

The managers of these funds manage credit risk by having a diversified exposure to bond and loan issuers, conducting thorough research on the probability of default of those issuers. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets and specific issuers. Although all matching assets are held with Insight, the Trustees are comfortable that there is sufficient diversification of approach within these assets, which are spread across three different funds. The private credit fund invests predominantly in UK commercial real estate debt originated by ICG-Longbow. The manager manages credit risk by conducting thorough due diligence on the borrower and underlying property security seeking to ensure high levels of diversification at tenant and property level across the investment portfolio. The manager actively monitors risk migration at loan and portfolio levels through the term of each investment.

Within the LDI portfolio, there is exposure to credit risk as the LDI portfolio manager uses derivative instruments to match the Scheme’s liabilities. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised daily to aim to limit credit risk to one day’s market movements. Cash is held within financial institutions which are at least investment grade credit rated.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT RISKS (continued)

ii) Currency Risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. In some cases, the Trustees have delegated the decision on whether or not to hedge any currency risk to their investment managers, some of which maintain a fully hedged position. Even where currency hedging arrangements are in place, there will still be residual currency risks, as these hedging arrangements may not be perfectly aligned to the assets.

The Scheme's assets that are exposed to indirect currency risk are the various international equity, multi-asset and bond funds. The amount invested in each of these mandates is shown in the Statement of Net Assets.

iii) Interest Rate Risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and interest rate swaps and cash, both directly as segregated investments and indirectly through pooled investments with Insight. The amount invested in each of these mandates is shown in the Statement of Net Assets.

However, the interest rate exposure of these assets is structured to hedge ultimately around 80% of the corresponding risks associated with the Fund's liabilities, measured on a gilts basis (the Trustees have in place a process to move to this target hedge level over time). The net effect is to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to take exposure to these risks in this manner.

iv) Other Price Risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the equity pooled fund holdings being subject to movements in equity prices. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

19. CONCENTRATION OF INVESTMENTS

The following investments account for 5% or more of the Scheme's net assets as at 31 December:

	2019	2018
	%	%
Insight High Grade ABS Fund	16.8	20.5
Lazard Global Managed Volatility Fund	14.3	13.5
Baillie Gifford Global Alpha Growth Fund	14.2	12.8
Aegon European ABS Fund	13.1	-
Insight LDI Enhanced Selection Longer Real Fund	10.2	11.1
Insight LDI Solutions Plus Secured Finance IIS GBP	7.1	-
Insight LDI Enhanced Selection Longer Normal Fund	6.1	-
Insight LDI Solutions Bonds	-	8.9
Insight LDI Solutions Plus Bonds 400s	-	8.4

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. CURRENT ASSETS

	2019 £'000s	2018 £'000s
Pensions paid in advance	427	428
Cash balances	1,415	738
Monies due back to the Scheme	1	20
	<u>1,843</u>	<u>1,186</u>

21. CURRENT LIABILITIES

	2019 £'000s	2018 £'000s
Administrative and investment management expenses	49	268
Benefit payable	42	-
	<u>91</u>	<u>268</u>

22. RELATED PARTY TRANSACTIONS

There was no direct investment in any Lazard company, including the Employers participating in the Scheme, at any time during the year or at year end.

Investments under management by Lazard Asset Management Limited represented 14.3% of the net assets of the Scheme as at 31 December 2019 (2018: 13.5%).

During the year, fee rebates have been received from the associates of Lazard & Co, Services Limited as disclosed in note 10 amounting to £103,000 (2018: 105,000).

One (2018: One) of the Trustees of the Scheme is a pensioner member receiving benefits from the Scheme.

Fees of £58,000 (2018: £50,000) were paid by the Scheme. Of these fees, £3,000 (2018: £18,000) are also included in current liabilities.

LAZARD LONDON STAFF PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. TAXATION

The Scheme is a registered Pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income and capital gains tax.

24. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As explained on page 5 of the Trustees' report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees are aware that the issue will affect the Scheme and have already considered this in detail. Work is ongoing as further guidance becomes available. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined. However, the judgment did not address transfers out which were subject to a second hearing held in April 2020. The Scheme has paid a number of transfers out over the years which may be subject to adjustment depending on the judgements reached in this second ruling. It is not possible to estimate reliably the value of any such adjustments at this point in time.

25. SUBSEQUENT EVENTS

Coronavirus Pandemic

As explained on page 5, in early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Scheme assets.

The Trustees consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The Trustees have designed and implemented the Scheme's investment strategy taking a long term view and has built in resilience to withstand short term fluctuations. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of this disruption on the Scheme's asset valuation at the date of approval of these financial statements.

LAZARD LONDON STAFF PENSION SCHEME

ACTUARIAL CERTIFICATE

CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS**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 to be met by the end of the period specified in the Recovery Plan dated 21 December 2017

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 21 December 2017.

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:

<i>Jeremy Dell</i>

Name:

Jeremy Dell

Date of Signing:

21 December 2017

Address:

Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DO
--

Qualification:

Fellow of the Institute and Faculty of Actuaries
--

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase can be 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 21 December 2017 and their Recovery Plan dated 21 December 2017 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

LAZARD LONDON STAFF PENSION SCHEME

AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Statement about Contributions to the Trustees of the Lazard London Staff Pension Scheme.

We have examined the summary of contributions to the Lazard London Staff Pension Scheme for the year ended 31 December 2019 which is set out in the Trustees' report on page 35.

Statement about Contributions Payable under the Schedule of Contributions

In our opinion contributions for the Scheme year ended 31 December 2019 as reported in the summary of contributions under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on the 21 December 2017.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective Responsibilities of Trustees and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities on page 14, the Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This report is made solely to the Trustees, as a body in accordance with [Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996]. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's trustees as a body, for our work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 2/7/2020

LAZARD LONDON STAFF PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 DECEMBER 2019

Summary of Contributions Payable under the Schedules for the Year Ended 31 December 2019

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees.

It sets out the Employer contributions payable to the Scheme under the Schedule of Contributions certified by the Scheme Actuary on 21 December 2017 in respect of the Scheme year ended 31 December 2019. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

During the year ended 31 December 2019, the following contributions were payable to the Scheme under the Schedule of Contributions:

	2019 £'000
Employer Expenses	255
Contributions payable under the Schedule (as reported on by the Scheme Auditor and reported in the Financial Statements)	255

Signed on behalf of the Trustees:

Trustee:



Trustee:



2/7/2020