

# Lazard London Staff Pension Scheme

## Update to members and Summary Funding Statement for the year to 31 December 2021

The Trustees of the Lazard London Staff Pension Scheme (“the Scheme”) are pleased to be able to provide members with the Scheme's Summary Funding Statement for the year to 31 December 2021. This statement is based on the Scheme Actuary's approximate update of the last triennial funding valuation of the Scheme which was carried out as at 31 December 2019.

### The purpose of this statement is:

- to summarise the approximate funding level of the Scheme as at 31 December 2021;
- to explain the reasons why the 2021 funding position is different from the funding position described in the previous summary funding statement for the years to 31 December 2019 and 31 December 2020; and
- to explain how the Trustees and the Employers have agreed to improve the funding position.

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 2020.

### Management of the Scheme

The Scheme comprises funds paid by Lazard & Co., Services Limited and Lazard Asset Management Limited (“the Employers”), past and present, into the Scheme so that it can pay pensions to Scheme members when they retire.

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

The Trustees' objective is to have sufficient money available to pay retirement benefits as they fall due and to meet the funding levels agreed with Employers (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 Employers what measures, including further contributions, if any, to put in place to meet our objective. The most recent valuation, as at 31 December 2019, was completed in March 2021.

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

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

In the case of the Lazard pension schemes the Trustees and the Employers 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 Employers 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 Employers agreed to value 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 Employers as part of the 2019 valuation are consistent with this. We intend to keep the Employers' contribution levels under review at future valuations.

## Changes to the funding level since the previous summary funding statement

The previous summary funding statement set out the ongoing funding positions as at 31 December 2019 and 31 December 2020. The Scheme Actuary has since provided approximate updates of the funding levels as at 31 December 2021.

	31 December 2019 Actuarial valuation	31 December 2020 Actuarial Report	31 December 2021 Actuarial Report
Assets	£302.6m	£333.0m	£336.1m
Amount assessed as needed to provide benefits	£316.1m	£346.4m	£333.7m
(Shortfall) / Surplus	(£13.5m)	(£13.3m)	2.5m
Funding level	96%	96%	101%

The figures may not sum due to rounding.

Over 2021, the amount assessed as needed to provide the benefits fell, almost entirely as a result of a rise in gilt yields, although this was partially offset by an increase in actual and expected future inflation. Asset levels also fell slightly, partly as a result of a rise in yields but also because benefits are being paid out. The Employers also paid a contribution of £0.4m to the Scheme as part of the "recovery plan" described below. Overall, the assessed shortfall became a surplus of £2.5m.

The Trustees continue to monitor the funding position, in particular in the light of adverse global events taking place in early 2022. We can confirm there has been no significant adverse change in the Scheme's funding position as at 10 March 2022.

A summary funding statement for the year to 31 December 2022 will be provided following the next full triennial valuation of the Scheme as at 31 December 2022.

## Addressing the funding shortfall

Following completion of the 2019 valuation, the Employers agreed with the Trustees a "recovery plan". The agreed recovery plan comprises ten annual contributions of £0.4m, each payable by 31 March each year. The first payment was made in March 2021 and the final payment must be made by 31 March 2030.

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

## The importance of support from the Employers

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 Employers 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 continues to be strong.

## Securing the benefits payable from the Scheme

The Scheme's funding position against its longer term objective of buying out benefits is set out below.

	31 December 2019 Actuarial valuation	31 December 2020 Actuarial Report	31 December 2021 Actuarial Report
Assets	£302.6m	£333.0m	£336.1m
Buyout estimate	£396.0m	£415.6m	£391.6m
(Shortfall) / Surplus	(£93.4m)	(£82.6m)	(£55.5m)
Funding level	76%	80%	86%

The shortfall on a buyout basis, shown above, reflects an estimate of the current cost of securing all current and future benefits with insurance companies immediately. Insurers are obliged to take a very cautious view of the future. The premium charged covers an allowance for profit, the cost of capital and the long-term cost of administering the benefits. By contrast, the ongoing funding plan assumes that the Employers will continue in business and continue to support the Scheme, with the buying-out of the remaining benefits, in full, not happening until 2030. Whilst the Scheme remains ongoing, members' benefits will continue to be paid in full, even though funding may temporarily be below target.

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

If the Scheme were to start to wind up today, however, the Employers 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 Employers would not be able to pay this amount in full. If the Employers 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.ppf.co.uk](http://www.ppf.co.uk) or you can call the Pension Protection Fund on 0345 600 2541.

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 Employers are thinking of winding up the Scheme prior to 2030, nor that the Employers are 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 2021, the Scheme's investment strategy, excluding AVCs, was to invest the Scheme's assets according to the following benchmark:

Global equities	27.5%
Absolute return investments (including private credit)	15.0%
Total growth assets	<b>42.5%</b>
Total matching assets*	<b>57.5%</b>

\*Matching assets are assets that are designed to move broadly in line with the assessed value of the Scheme's liabilities and include liability driven investment funds, asset backed securities and bond funds.

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

## Changes to the benefits provided by the Scheme

There have been no changes to the benefits provided by the Scheme since 31 December 2020.

## Payments to the Employers

Apart from reimbursement of Trustees' remuneration paid on behalf of the Scheme, there have been no payments to the Employers out of the Scheme's funds since 31 December 2020.

## 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 2020, which shows the Scheme's income and expenditure in the year;
- the Statement of Investment Principles, which sets out the Trustees' objectives for the investments held by the Scheme;
- the Implementation Statement, which explains how the Trustees have implemented their investment principles in relation to voting and engagement;
- the Schedule of Contributions, which shows how much money is being paid into the Scheme by the Employers;
- the full report on the Actuarial Valuation as at 31 December 2019; and
- the actuarial report on the approximate funding position as at 31 December 2021.

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

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

Premier Pensions  
AMP House  
Dingwall Road  
Croydon

CRO 2LX

Telephone: 0203 727 9800

Email: [Lazard@Premiercompanies.co.uk](mailto:Lazard@Premiercompanies.co.uk)

Please also contact Premier Pensions 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 Staff Pension Scheme.***

***March 2022.***