

YOUR SUMMARY FUNDING STATEMENT

November 2019



Dear Scheme member,

This is your 2019 Summary Funding Statement from the Trustees of the Legal Services Commission Staff Pension and Assurance Scheme No.4 ("the Scheme"), who are responsible for monitoring the Scheme's finances. The Trustees send this to all scheme members each year to give you an idea of the Scheme's financial status. A copy of the full valuation is available on request from the Scheme Administrator.

This year we wanted to send you a shorter, easier to digest report. I hope we have achieved this. If you have any feedback about this statement or ideas for improvement to help you better understand the information, please let us know (see page 4 for contact information). As ever please do keep in touch with our Trustee updates and your pension information on the Scheme website <https://lscpensions.co.uk/>.

Best wishes,

Jill Youds, Chair of the Trustees

29 November 2019



KNOW THE FINANCES

How does your Scheme work?

The LSC Scheme is a final salary pension arrangement otherwise known as a defined benefit scheme. Your pension at retirement is linked to your salary when you left the LSC (or when the Scheme closed on 31 March 2013) and the length of time you have been a member.

The assets of the Scheme are invested with the aim of producing a return each year. Your benefits are paid from the Scheme. For some of you these benefits are now being paid, for others these benefits will be received in years to come when you retire.

How is the Scheme doing?

At least every three years, the Scheme Actuary carries out a financial review of the Scheme known as an actuarial valuation. The Actuary estimates the amount of each member's future pension payments and how long each pension is likely to be in payment. The Actuary then adds up all these future payments and works out how much the Scheme might receive from investment returns. The positions of the Scheme as at the 2016 valuation, the latest valuation (31 March 2019) and 31 March 2018 (when we last updated you) were:

As at 31 March 2016

Assets: There was **£347m** in the Scheme available for paying out benefits

Liabilities: The estimated cost of providing benefits for all Scheme members was **£362m**

Shortfall: There was a shortfall of **£15m**

Funding level: The Scheme had **96%** of the assets estimated to be needed to pay members the defined benefits they had built up

As at 31 March 2018

Assets: There was **£414m** in the Scheme available for paying out benefits

Liabilities: The estimated cost of providing benefits for all Scheme members was **£418m**

Shortfall: There was a shortfall of **£4m**

Funding level: The Scheme had **99%** of the assets estimated to be needed to pay members the defined benefits they had built up

As at 31 March 2019

Assets: There was **£431m** in the Scheme available for paying out benefits

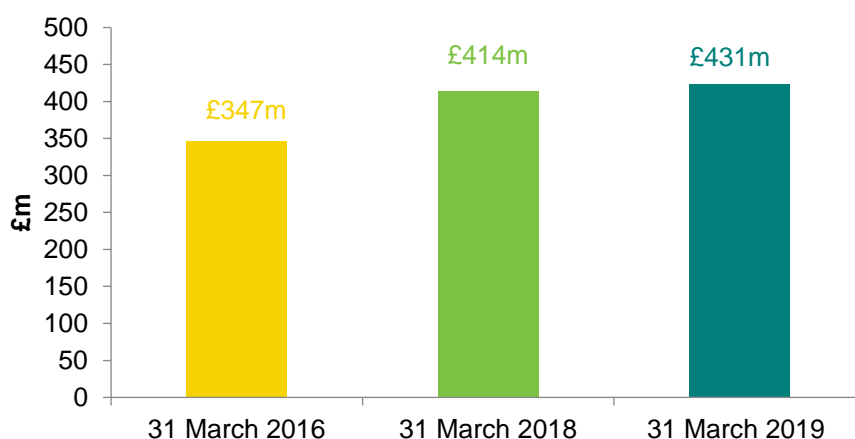
Liabilities: The estimated cost of providing benefits for all Scheme members was **£451m**

Shortfall: There was a shortfall of **£20m**

Funding level: The Scheme had **96%** of the assets estimated to be needed to pay members the defined benefits they had built up

How has the funding position changed over time?

Since we last updated you, the Scheme's funding position has held up well despite market concerns following the Brexit vote and subsequent developments. The Scheme's funding level was 99% as at 31 March 2018 and 96% as at 31 March 2019. The reduction in funding level is primarily due to a change in the assumptions the Trustees use to calculate the Scheme's liabilities, which now better reflect how the Trustees expect the Scheme's investment strategy to de-risk in future. This reduction has been offset by steady returns on the Scheme's assets over the year to 31 March 2019, as the Scheme de-risked to lock in funding gains.



Is my pension secure?

The Scheme has a Crown Guarantee from MoJ. This means the Government has guaranteed that the Scheme will have sufficient assets to meet all payment obligations in respect of pensioner members and those whose benefits are preserved for payment when they reach the Scheme retirement age.

If a pattern of insufficient funding emerges following an actuarial valuation, then the MoJ will be required to make payments to the Scheme to recover the shortfall. This is intended to ensure that there will always be sufficient money to pay members' benefits.

Payments made to MoJ

The Trustees can confirm that there have been no payments made to MoJ out of the Scheme's assets in the period since the 31 March 2016 valuation.

Scheme website

You can find this report together with full information about Scheme benefits and copies of other recent reports at www.lscpensions.co.uk; under the Scheme Information section. Simply click on "Trustees Report to Members" and the document will be there for you to read. The Scheme website also contains relevant forms and documents to support you at each step and to explain pension terminology.

You can also see details of your own benefits in the secure section of the website. This gives members access to regular pension payment statements, their expression of wishes, annual pension increase values and news we think you might be interested in. As at 30 September 2019, 736 members (32% of the Scheme's membership) are now using the Scheme website.

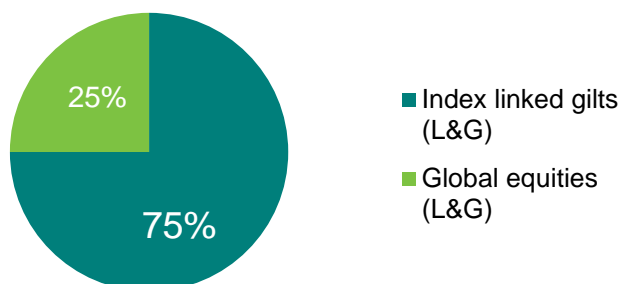
If you have not already done so, please do leave us your email address. As previously advised, since early 2019 we have moved to paperless communication and will only communicate with you via the Scheme website or via email other than in exceptional circumstances.



Update on the Scheme's investment strategy

The Scheme's assets are invested by the Scheme's investment managers with the aim of increasing their value and providing income that can be used to pay benefits when they fall due. With the assistance of our advisors we carefully monitor the investment managers' performance. Over the last two years the Trustees have changed the Scheme's investment strategy to reduce the risk of significant shortfalls in funding in future.

The Scheme's funds are invested in a mix of assets, and the distribution as at 31 March 2019 is shown below.



Responsible investment

This year the Trustees have been considering how to incorporate sustainability into the strategy, with the aim of protecting the Scheme's position in the long term (and in line with the expectations of the Pensions Regulator). The Trustees are also aware of the need to consider value for money; one area where we look to save money is on investment fees.

Did you know?

Neither the Trustees nor our advisors can give financial advice but a professional adviser can give financial advice but a professional adviser can. If you are thinking of leaving the Scheme or making any changes to your pension arrangement, the Trustees strongly recommend you get advice first. For a list of advisers go to www.unbiased.co.uk or contact the Scheme Administrator.

Further documents:

A number of formal documents which provide further information about the Scheme can be requested from the Trustees via the Scheme Administrator. These include the Statement of Funding Principles, which sets out the Scheme's funding plan, and the Statement of Investment Principles, which explains how the Trustees invest the money paid into the Scheme and how they consider environmental issues and climate change in these decisions. The Annual Report and Accounts are also available upon request.

Contact information

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