

YOUR SUMMARY FUNDING STATEMENT

November 2020



Dear Scheme member,

This is your 2020 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.

The report covers the year up to 31st March 2020 and reflects the first months of the impact of Covid-19. We have heard the word 'unprecedented' used many times to describe this pandemic, but it is an apt description of the impact of Covid-19 on the global financial markets which affect our Scheme funds.

I am proud of how the Trustees responded once the pandemic struck. Remote meetings were quickly called to discuss business continuity plans and to consider any actions the Trustees may need to take to protect Scheme funding. Our investment strategy, honed over many years, served us well during the turbulence and funding levels have largely recovered as I write this introduction. This report however, reflects market conditions and funding levels at the start of the crisis.

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

20 October 2020

To find out more about the Trustees of your Scheme, visit:
www.lscpensions.co.uk/media/2017/meet-your-trustees.pdf



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.

Your benefits are paid from the assets of the Scheme. The benefits you receive from the Scheme are ultimately government-backed, however, the Trustees invest the assets of the Scheme with the aim of producing a suitable return each year. 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 31 March 2019 (the date of the latest formal triennial Scheme valuation and the date we last updated you) and 31 March 2020 were:

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

As at 31 March 2020

Assets: There was **£428m** in the Scheme available for paying out benefits

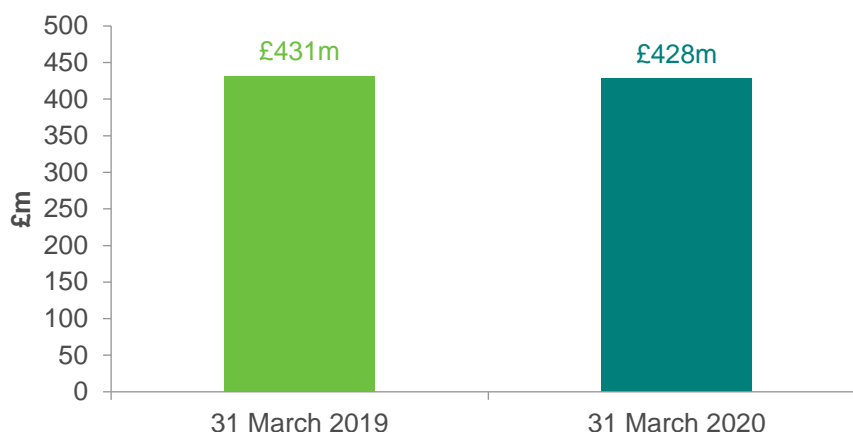
Liabilities: The estimated cost of providing benefits for all Scheme members was **£462m**

Shortfall: There was a shortfall of **£34m**

Funding level: The Scheme had **93%** 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 fallen due to equity market falls arising as a result of Covid-19. The Scheme's funding level was 96% as at 31 March 2019 and 93% as at 31 March 2020. Whilst the funding level dropped earlier this year, since the start of April the funding position has improved and has now broadly returned to pre Covid-19 levels. The Scheme's funding position held up well due to work undertaken by the Trustees in recent years to de-risk the Scheme's investment strategy, locking in past funding gains and protecting the Scheme from market volatility.



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 31 March 2019.

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 1 October 2020, 778 members (35% of the Scheme's membership) are now using the Scheme website.

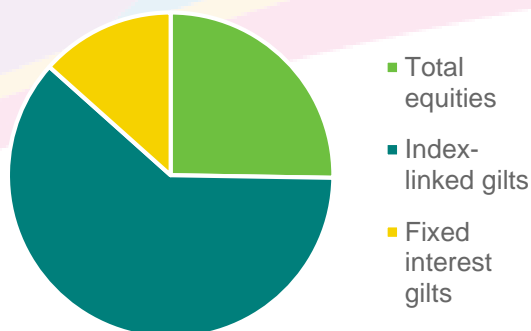
If you have not already done so, please do leave us your email address. As previously advised, since early 2019 we have moved to paperless communication and will only communicate with you via the Scheme website or via email other than in exceptional circumstances. If we do not hold an up to date email address for you, you could be missing out on important information about the Scheme and your pension.



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 three 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 2020 is shown below.



Responsible investment

This year the Trustees made a change to their investment strategy to invest half of the Scheme's equities in the LGIM Future World Fund. This fund invests more in companies that exhibit certain characteristics (good value, low volatility, smaller companies and high quality) and that rely less on carbon reserves, incur lower carbon emissions or generate greener revenues compared with the market-cap weighted index. This change was made in order to improve the sustainability of the Scheme's strategy, with the aim of protecting the Scheme's position in the long term (and in line with the expectations of the Pensions Regulator).

Did you know?

Neither the Trustees nor our advisors 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.

Please be aware that some criminals will try to target pensions. Our best advice is to not click on any links in emails that you are unsure about and hang up immediately on any unwanted or nuisance callers. For more information about avoiding pension scams, visit www.fca.org.uk/scamsmart.

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

Address:
LSC Pension Scheme
Hymans Robertson
LLP
One London Wall
London, EC2Y 5EA

Tel: 020 7082 6457

Email:
iscpensions@hymans.co.uk