

# Legal Services Commission Staff Pension and Assurance Scheme No. 4

Actuarial valuation as at 31 March 2025  
Scheme funding report

March 2026

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Scheme Actuary

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This report is addressed to the Trustees of the Legal Services Commission Staff Pension and Assurance Scheme No. 4 ('the Scheme') who commissioned the work and is provided solely for their purposes in the management of the Scheme and in particular to fulfil their obligations and requirements of the Scheme governing documents. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or without our prior written consent, in which case it should be released in its entirety.

Neither I, nor Hymans Robertson LLP, accept any liability, responsibility or duty of care to any party other than the Trustees for any use of this report unless we have expressly accepted such liability in writing. No third party to whom this report is disclosed is entitled to rely on this report for any purpose whatsoever.

Further reliances and limitations are set out in Appendix D of this report.

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# 1. The results of the valuation

I have carried out an actuarial valuation of the Legal Services Commission Staff Pension and Assurance Scheme No. 4 ('the Scheme') as at 31 March 2025 ('the valuation date') and this is my report on the results of the valuation. This is a scheme funding report.

## Funding objectives

The Trustees' funding objective is to have sufficient assets to pay the future benefits from the Scheme. In order to do this the Trustees aim to be fully funded on a technical provisions basis. If the Scheme were fully funded on a technical provisions basis the Scheme would have a relatively high degree of self-sufficiency, as:

- it will be possible to invest the assets in a relatively low risk strategy (largely matched to the liabilities), to reduce the risk of a significant deterioration to the funding level; and
- the likelihood of the MoJ having to make significant further contributions will be relatively low.

The Trustees also monitor the funding position on a gilts basis. The technical provisions basis used as at 31 March 2025 converges to the gilts basis over a period of 14 years from the valuation date.

## Insured benefits

The Scheme holds insured annuities with Legal and General in respect of some pensioner members. The assets and liabilities in this report include these annuities.

## Summary of results

The Scheme's funding position as at 31 March 2025 is shown below alongside the position at the last valuation for comparison.

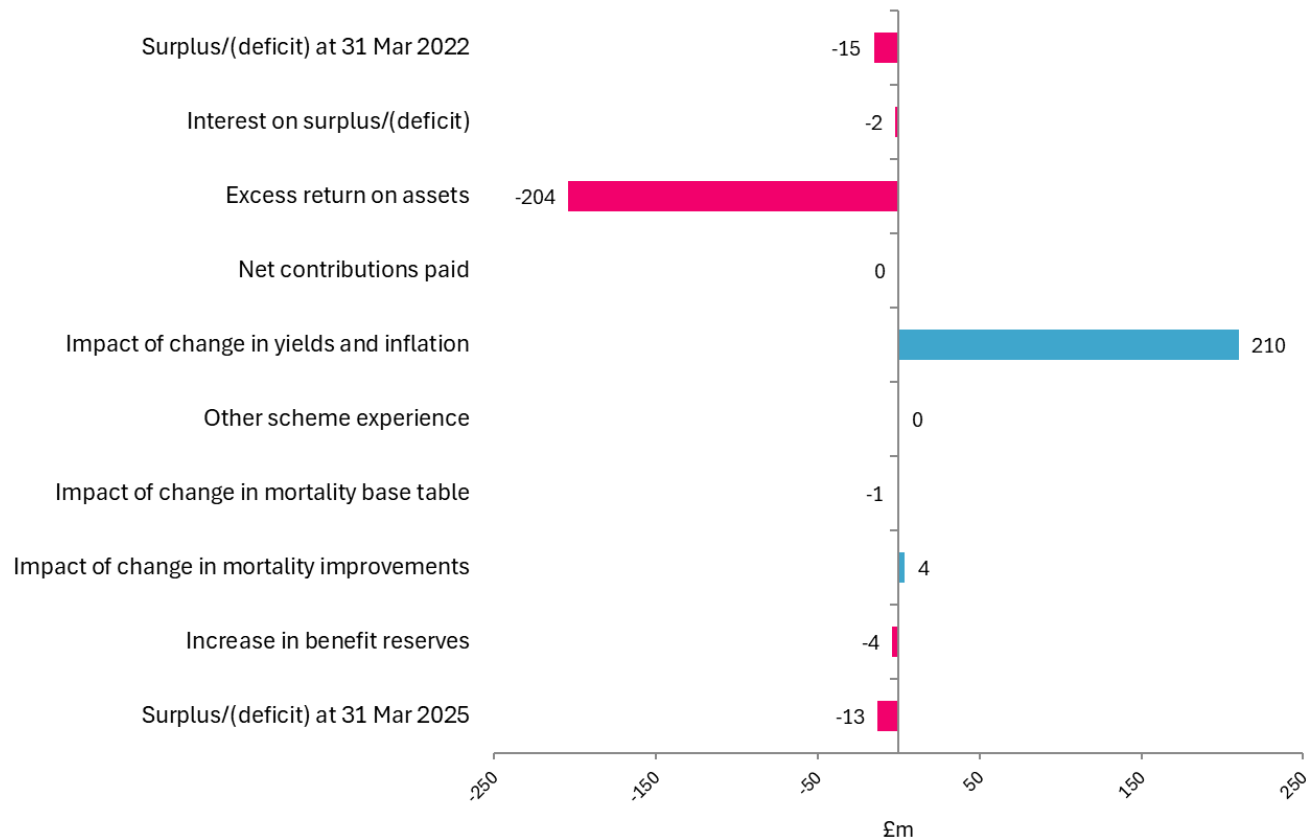
£ million	Previous valuation 31 March 2022	This valuation 31 March 2025
<b>Assets</b> <i>See the Trustees' Report and Accounts as at the valuation date for further details</i>	<b>463</b>	<b>265</b>
<b>Technical provisions liabilities</b> <i>An estimate of the amount needed to pay benefits, using the assumptions specified by the Trustees (see appendix A)</i>	<b>478</b>	<b>278</b>
Deferred liabilities	242	97
Pensioner liabilities	220	161
Expenses	15	15
Benefit reserves	0.75	5
<b>Surplus/(deficit)</b>	<b>(15)</b>	<b>(13)</b>
<b>Funding level</b>	<b>97%</b>	<b>95%</b>

## Contributions required

At the valuation date, the Scheme was more than 90% funded on the Technical Provisions basis. Consequently, under the Scheme's funding arrangement, no deficit reduction contributions are due from Ministry of Justice from the 31 March 2025 actuarial valuation.

## 2. Changes since the previous valuation

Since the previous actuarial valuation of the Scheme, there have been changes to the scheme membership, the value of its investments, the economic environment in which the Scheme operates and the valuation assumptions. These changes have affected the Scheme’s funding position as follows:



The Technical Provisions funding deficit is broadly similar as at 31 March 2025 compared to 31 March 2022. The main factor affecting both the assets and the liabilities since the last valuation is the impact of market movements. There has been a significant rise in yields which has led to a significant decrease in the value of the liabilities. There has been a corresponding fall in asset values due to the Scheme’s hedging assets. The impact on assets and liabilities almost fully offset each other in terms of the net deficit.

The impact of other changes is far less significant than the rise in yields. Other items include equities having performed relatively well, and assumptions changes to reflect life expectancy trends and updates to benefit reserves.

### 3. Risk management

In the previous section, I showed the extent to which the assumptions made at the previous valuation did not reflect actual experience over the period since the last actuarial valuation. In this section I discuss the key risks to the Scheme and the potential implications of the actuarial assumptions not being met in the future.

The Trustees should understand the risks to their funding plans, particularly those related to funding, investment and the employer covenant.

Risk	How the Trustees manage this risk
<p><b>MoJ's covenant</b></p> <p>The employer may not be able or willing to pay contributions or make good deficits in the future.</p>	<p>The Scheme has a Crown guarantee and funding arrangements in place. The Trustees are comfortable retaining the risk of a UK Government default as this is perceived to be lower risk than an insurer's covenant on buy-out.</p>
<p><b>Investment &amp; Economic</b></p> <p>If future investment returns are lower than allowed for in the valuation assumptions, assets will not grow in value as expected, and the funding level will fall.</p>	<p>The Trustees monitor the funding position on a regular basis.</p> <p>The Scheme maintains a high level of hedging to interest rates and inflation.</p>
<p><b>Longevity</b></p> <p>If life expectancy improves in the future at a faster rate than allowed for in the valuation assumptions, then pensions will need to be paid for longer, so the liabilities will increase and the funding level will fall.</p>	<p>The valuation results are sensitive to changes in future life expectancy. If longevity improves in the future at a faster pace than allowed for in the valuation assumptions then the funding position will deteriorate.</p> <p>The Trustees use up to date information to set longevity assumptions and stress test the assumption.</p>
<p><b>Liquidity risk and collateral</b></p>	<p>The Scheme invests some hedging assets using Liability Driven Investment (LDI) which involves leverage. The Trustees have a priority order in place in case assets need to be disinvested at short notice to meet collateral calls.</p>
<p><b>Resource and environment risks</b></p> <p>Resource and environment issues could worsen the Scheme's funding position. These risks exist and may prove material.</p>	<p>The Trustees invest some growth assets into funds which explicitly incorporate resource and environmental risks into asset selection. The Trustees have adopted a tapered discount rate which assumes a lower requirement to hold growth assets in future. The tapering reflects future plans, rather than explicitly seeking to isolate resource and environment risks, but means the funding plan reliance on future investment growth reduces over time.</p> <p>The Scheme consider exposure to this risk from time to time, with the latest review in February 2026.</p>

### Other risks

There are a range of further risks which the Trustees keep under review. These include the development of legislation relating to pensions, potential costs associated with equalisation or changes to public sector pensions that impact the scheme (beyond that reserved for), and the impact of options offered to members.

### Sensitivity of key assumptions

Scenario	Funding position surplus/(deficit) £ million	Comments
<b>Base case</b>	(13)	This is the technical provisions position.
<b>Decrease discount rate so no margin above gilts i.e. no outperformance above gilts in strategy</b>	(18)	The Trustees should have regard to the sponsor's ability and willingness to support the funding and investment risks within the Scheme. If the risks being run appear to be too great then the Trustees could target reaching full funding on a lower risk position by reducing the assumed investment returns within the discount rate.
<b>0.25% p.a. increase in future inflation</b>	(21)	For illustrative purposes I have shown the position if inflation-linked benefit increases linked to RPI or CPI grow at a faster rate. I have made no adjustment to hedging assets. As the Scheme hedges c95% of its inflation exposure, the value of the assets would also be expected to increase in this scenario, which may offset the majority of the increase in liabilities. The scenario only considers the changes in liabilities.
<b>Broadly a 1 year increase in life expectancy at retirement age</b>	(24)	The valuation results are sensitive to changes in future life expectancy. If longevity improves in the future at a faster pace than allowed for in the valuation assumptions then the funding position will deteriorate.

### Longer-term projection

If the actuarial assumptions were borne out over the period, and assuming investment returns of gilts +1.1%pa as discussed in the November 2025 investment strategy review, from the date of this valuation to the next, the funding level would be expected to increase by a small amount (c2%), assuming that other assumptions are borne out in practice.

### Gilts basis position

The Technical Provisions basis converges to a gilts basis over 14 years from the 2025 valuation date. The gilts basis uses the same assumptions as the Technical Provisions other than the discount rate, which reflects gilts curves with no addition. At the valuation date, the gilts basis liabilities and deficit were £5m higher than the Technical Provisions liabilities and deficit.

### Technical Provisions

The Scheme falls outside of statutory funding legislation, hence no Scheme Actuary certificate is required for the certification of the Technical Provisions. However, I confirm that the valuation uses the method and assumptions set by the Trustees of the Scheme as set out in the Statement of Funding Principles dated 20 March 2026.



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Scheme Actuary

Hymans Robertson LLP

20 March 2026

## Appendix A: Methodology and assumptions

### A1. Methodology

Using the actuarial assumptions set by the Trustees I have estimated the payments which will be made from the Scheme throughout the future lifetimes of deferred pensioners, pensioners and their dependants. I then calculate the amount of money which, if invested now, would be sufficient to make these payments in future, assuming that future investment returns are in line with the assumed discount rate. This is the technical provisions. I compare these technical provisions with the value of the assets. The ratio of the asset value to the technical provisions is known as the ‘funding level’. If the funding level is more than 100% there is a ‘surplus’; if it is less than 100% there is a ‘deficit’.

It is a requirement of the legislation that an ‘accrued benefits funding method’ must be used for valuing the technical provisions. In their application to technical provisions, such methods vary in only one material respect: the extent to which future pensionable pay growth is anticipated for employee members. This will not affect the Scheme as there are no employee members remaining.

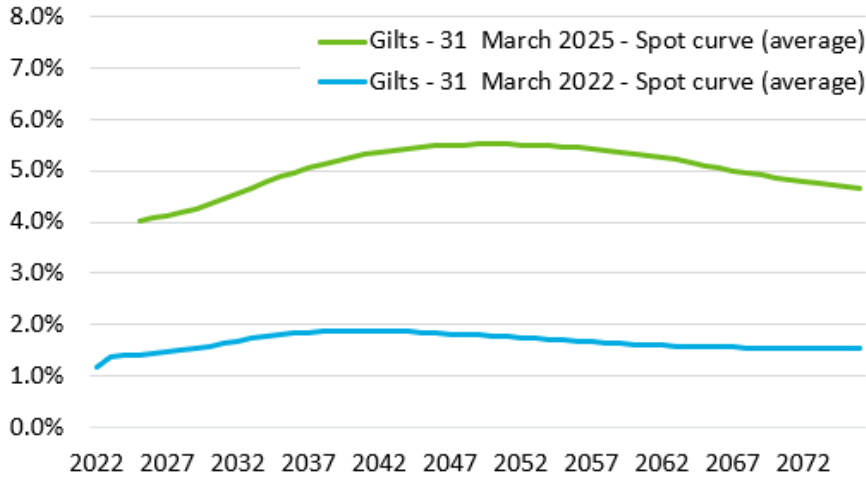
### A2. Assumptions

The Trustees are responsible for setting the funding assumptions for the actuarial valuation as at 31 March 2025. The assumptions adopted as at 31 March 2025 are set out in the statement of funding principles dated 20 March 2026.

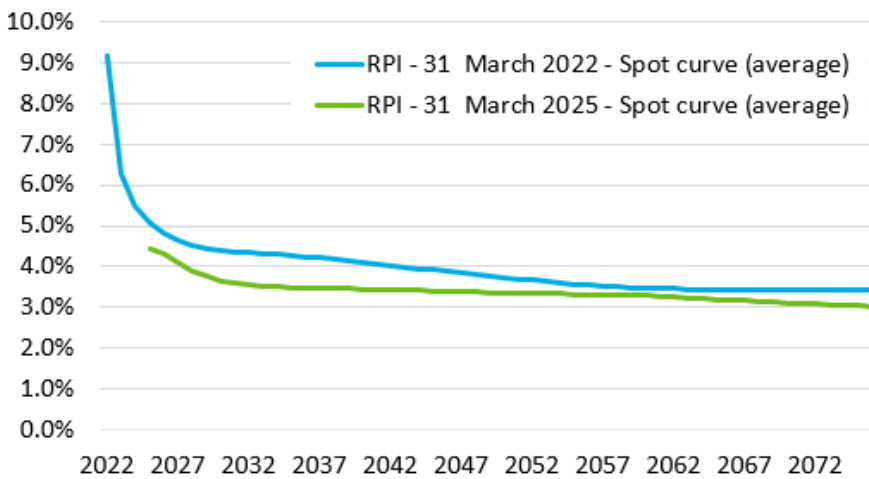
Assumption	Technical provisions 31 March 2022	Technical provisions 31 March 2025
<b>Discount rate</b>	Market implied gilt yield curve plus an addition. The addition is 0.425% p.a. in 2022 and the addition tapers down linearly to no addition by 2039.	Market implied gilt yield curve plus an addition. The addition is 0.35% p.a. in 2025 and the addition tapers down linearly to no addition by 2039.
<b>RPI increases</b>	Market implied gilt RPI curve	Market implied gilt RPI curve
<b>CPI increases</b>	RPI curve less a margin of 0.7% p.a. pre 2030, and RPI less 0% p.a. post 2030	RPI curve less a margin of 0.7% p.a. pre 2030, and RPI less 0% p.a. post 2030
<b>Benefit increases</b>	In line with relevant price inflation adjusted to take account of any floors or caps on inflation that may apply (see ‘yield curves’ below).	In line with relevant price inflation adjusted to take account of any floors or caps on inflation that may apply (see ‘yield curves’ below).
<b>National average earnings increases</b>	RPI curve plus a margin of 0.5% p.a.	RPI curve plus a margin of 0.5% p.a.

The charts below provide further information on the curves used in the valuation:

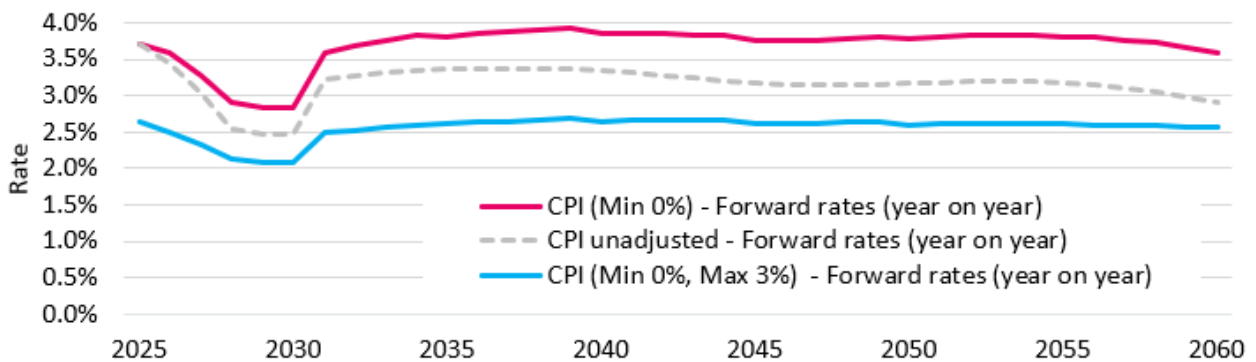
**Nominal gilt curves (spot rates i.e. averages assumed over a period):**



**RPI gilt curves (spot rates):**



**Inflation-linked pension increases at 31 March 2025 (forward rates i.e. year-on-year rates):**



Assumption	Technical provisions 31 March 2022	Technical provisions 31 March 2025
<b>Post-retirement longevity base tables</b>	VITA tables (2022) with allowance to exclude additional deaths from Covid-19 experience	VITA tables (2025) with allowance to exclude additional deaths from Covid-19 experience
<b>Pre-retirement longevity base tables</b>	Standard tables (S series) S3PMA for men and S3PFA for women	Standard tables (S series) S4PMA for men and S4PFA for women
<b>Longevity future improvements</b>	CMI model (2021) with a long-term improvement rate of 1.75% p.a. for males and females Initial addition 'A' parameter of 0.25 for males, 0 for females Core approach for W parameter (no weight on 2020 or 2021 data) Other model parameters in line with the 'core' model	CMI model (2024) with a long-term improvement rate of 1.5% p.a. for males and females Initial addition 'A' parameter of 0.25 for males and females, Use 'no overlay' (to avoid double counting adjustments for Covid) Other model parameters in line with the 'core' model
<b>Retirement timing</b>	All members are assumed to retire at the earliest date at which benefits are payable unreduced	
<b>Ill health retirement</b>	No allowance made	
<b>Commutation</b>	No allowance made	
<b>Transfers out</b>	No allowance made	
<b>Proportion married</b>	85% of male members and 75% of female members were assumed to have a dependant at retirement or earlier death.	
<b>Dependant's age gap</b>	Male scheme members are assumed to be 3 years older than their partners. Female scheme members are assumed to be 2 years younger than their partners. Dependants are assumed to be of the opposite sex to the original member.	
<b>Expense reserves</b>	£15m reserve	£15m reserve
<b>Benefit reserves</b>	£0.75m reserve	2% of liabilities at 31 March 2025 (c£5m). This reserve is in respect of GMP equalisation, the Scheme meeting inflationary increases on GMP previously met by the State and benefit rectification.

## Appendix B: Data – benefits, membership and assets

### B.1 Benefits

The chart below illustrates the benefit payments that would be made from the Scheme were the assumptions in Appendix A borne out in practice.



### B.2 Membership

The membership data as at the valuation date was provided by the Trustees via the administrator and is summarised below:

Status	31 March 2022			31 March 2025		
	Number	Salaries/ Pensions	Average age	Number	Salaries/ Pensions	Average age
Deferred	1,169	£4.5m p.a.	52	961	£4.1m p.a.	55
Pensioner	1,033	£8.6m p.a.	67	1,163	£10.5m p.a.	69
<b>Total</b>	<b>2,202</b>			<b>2,124</b>		

The Scheme membership has changed since the previous valuation, as members have retired and died. The pensions shown in the table above are as at the valuation date for pensioner members and deferred pensioners. Average ages in the table are weighted by liability.

The data has been provided by the Trustees via the administrator. I have carried out some general checks to satisfy myself that the information used for this valuation is sensible compared with the information used for the previous valuation and also with that shown in the report and accounts. However, ultimately I have relied on the accuracy of the information provided. At the time of the valuation member data was being reviewed in relation to a GMP exercise (covering reconciliation, rectification, equalisation and the Scheme covering increases on some GMPs linked to the State Pension) and the Scheme is also investigating a benefit rectification matter. As set out in appendix A an assumption has been reserved for to reflect potential increases to pensions relative to data in payment at 31 March 2025. Subject to this point, which has been reserved for, I am satisfied there is no material uncertainty in the membership data.

The membership numbers shown above differ slightly from those set out in the Trustee Report and Accounts at 31 March 2025. I expect this is due to late notifications of member movements and do not expect this to be material in the context of the valuation.

### B.3 Assets

The Trustees' investment strategy as at the valuation date and market value of assets were as follows:

Asset class	Allocation as at 31 March 2025 (%)
Growth assets – Global equities	13%
Corporate bonds	24%
Matching assets – Gilt based Liability Driven Investment	60%
Cash	3%
<b>Total</b>	<b>100%</b>

The Scheme's assets include a small proportion (c1%) of historical insured annuities with Legal & General which are excluded from the table above.

The Liability Driven Investment seeks to hedge around 95% of interest rate and inflation exposure.

Full details of the Trustees' investment strategy are contained in the Scheme's Statement of Investment Principles. At time of drafting, the current Statement is dated November 2024, with an update currently being considered following discussion at a trustee meeting in February 2026.

The market value of the assets at 31 March 2025 was £264.6m, based on the audited Scheme accounts. The table below shows a reconciliation of this value with that shown in the Scheme accounts:

<b>Assets in Scheme accounts at 31 March 2025</b>	£264.6m
<b>Difference from re-stating insured annuities onto Technical Provisions basis</b>	<£0.05m
<b>Technical Provisions assets valuation at 31 March 2025</b>	£264.6m

## Appendix C: Summary of the Scheme's provisions

The Scheme benefits are set out in the Trust Deed and Rules dated 24 November 2010 (as amended from time to time). The benefits I have modelled for this valuation are based on my understanding of the benefits of the Scheme, subject to practical modelling considerations, as summarised below. The summary is for the majority of the membership but some members have different benefits.

Normal Pension Age (NPA)	60
Earnings	Basic Pay. This included London Weighting, Shift Allowance and permanent Responsibility Allowance but did not include casual and intermittent remuneration.
Pensionable Earnings	Member's Earnings in the preceding year.
Final Pensionable Earnings	Highest figure of Pensionable Earnings falling within the period of three years ending on retirement or date of leaving if earlier.
Pensionable Service	Years and days of service with the LSC whilst an employee member of the Scheme.
Pension at NPA	An annual pension of one eightieth of Final Pensionable Earning each year of Pensionable Service, payable monthly.
Lump sum at NPA	Three eightieths of the Final Pensionable Earnings per year of Pensionable Service.
Pension increases	Pension in payment in excess of Guaranteed Minimum Pension are increased in line with Pensions Increase (Review) Orders, which currently follow the increase in the Consumer Prices Index. For members who reached State Pension Age prior to 6 April 2016 Guaranteed Minimum Pension is increased in line with the statutory requirements.
Deferred revaluation	Deferred pensions in excess of Guaranteed Minimum Pension are increased in line with the Pensions Increase (Review) Orders, which currently follow the increase in the Consumer Prices Index. Guaranteed Minimum Pensions are revalued in line with Section 148 Orders.
Death after retirement	A spouse's pension typically of one half of the member's pension (a higher pension may be paid for a short period following death), plus a lump sum may be paid in certain circumstances.

There is no recent history of providing discretionary benefits (i.e. benefits or increases to benefits in excess of those payable under the Scheme's rules) and I have been instructed by the Trustees to not reserve for discretionary increases. I have not allowed for any changes which might be required as a result of further legislation regarding equalisation of benefits on the ground of members' age or gender (beyond the explicit reserves set out above). No allowance has been for additional liabilities in respect of the Virgin Media case, which is a current industry wide matter.

## Appendix D: Reliances and limitations

### **Purpose of the valuation**

This valuation has been carried out to comply with the Scheme's funding arrangements.

### **Compliance**

This report complies with the requirements of the following Technical Actuarial Standards (TASs): TAS 100 and TAS 300.

As the Scheme has a Crown guarantee I have not reported on the solvency position of the Scheme.

As the Scheme's funding rules (as set out in the Legal Aid Sentencing and Punishment of Offenders Act 2012) do not require the sponsor (Ministry of Justice) to make deficit recovery contributions in circumstances where the Technical Provisions funding level equals or exceeds 90% at the valuation date (as is the case for this valuation), I have not calculate a recovery plan or deficit recovery contributions.

The following communications are also relevant to this report:

- Longevity training and preliminary financial assumptions paper dated May 2025
- Preliminary valuation results dated 3 September 2025
- Scheme funding report on the formal valuation as at 31 March 2022, dated 2 November 2022

### **Covenant risk**

I have not advised on factors particular to the sponsor, or the sponsor's industry. I am not, in my opinion, best qualified to advise the Trustees on these sponsor-related matters. The Trustees have not commissioned a third party covenant assessment for this valuation, noting the Scheme has a Crown guarantee.