

# Legal Services Commission

## No.4 Pension Scheme

Annual Report and Financial Statements

31 March 2020

Scheme Registration number 10027837

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## Section 1 – Trustees and their Advisers

### The Trustees

The Trustees of the Legal Service Commission No. 4 Pension Scheme are set out below:

#### Independent Chair

Jill Youds

#### Employer nominated

Adam Pirani

Audrey Fullerton

Peter Church

#### Member nominated

Giorgio Bugnatelli

Rosina Farrell

Roger Hamilton

#### Secretary to the Trustees

Hymans Robertson LLP

### Advisers

The advisers to the Trustees are set out below:

#### Actuary

Hymans Robertson LLP, Matthew Davis, FIA

#### Independent Auditor

Crowe U.K. LLP

#### Legal Adviser

CMS Cameron McKenna Nabarro Olswang LLP

#### Administrator

Hymans Robertson LLP

#### Investment Managers

Legal & General Assurance (Pensions Management) Limited ("Legal & General")

#### Bankers

Barclays Bank Plc

#### Principal Employer

Ministry of Justice

#### Pensions Manager

David Collins, Ministry of Justice

## Section 2 – Trustees' Report

The Trustees are pleased to present their Annual Report and Financial Statements of the Legal Services Commission No. 4 Scheme ('the Scheme') for the year ended 31 March 2020.

### Management of the Scheme

#### Legal Status

The Scheme is governed by a Definitive Trust Deed and Rules dated 24 November 2010.

The Scheme is a defined benefit final salary scheme and was closed to future accrual with effect from 1 April 2013.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It has a Crown Guarantee under the Legal Aid, Sentencing and Punishment of Offenders Act 2012. Members are contracted out of the State Second Pension (formerly the State Earnings Related Pension Scheme).

#### Trustees

A list of Trustees is included on page 1.

In accordance with the Trust Deed the Employer has the power to appoint and remove Employer Nominated Trustees.

The members are responsible for electing the Member Nominated Trustees (MNTs). The term of office of MNTs will generally be four years but a Trustee will remain in office until they are formally removed as an MNT following any subsequent nomination and selection process where they are not reappointed or following them ceasing to be eligible.

All Trustees are able to resign at any time.

#### Scheme Management

The Scheme Rules set out the Trustees' duties and responsibilities for running the Scheme. This includes management of the Scheme, setting an appropriate investment strategy, appointment of an administrator, paying the relevant benefits to members and their beneficiaries, keeping proper records of financial transactions and producing the Annual Report and Financial Statements for the Scheme which will be subject to independent audit.

The Scheme Rules stipulate that the Trustees will appoint an Actuary, Auditor, Fund Manager(s), one or more Custodians, and a Legal Adviser.

The Trustees met four times during the year to consider matters of administration, investment and to discuss relevant issues with the Scheme's external advisers.

#### Trustee Training

The Pensions Act 2004 requires trustees of an Occupational Pension Scheme to have an appropriate knowledge and understanding of the laws relating to pensions, trust law, the principles relating to the funding of Occupational Pension Schemes, and the investment of the assets of such schemes. The knowledge and understanding required is to ensure Trustees can properly exercise their duties. The Trustees received appropriate training during the year the content of which is recorded in the minutes for the relevant meetings.

The Pensions Regulator has issued a Code of Practice which specifies the areas of knowledge required and has developed an e-learning website (Trustee Toolkit) to help meet this requirement. Trustees are encouraged to complete all modules of this toolkit. All of the Trustees have completed all of the Pensions Regulator's Trustee Toolkit "Essential" Modules at the time these accounts were produced.

## Trustees' Report (continued)

### Conflicts of Interest

A Conflicts of Interest Policy is in place to assist the Trustees in identifying, managing and monitoring any conflicts of interest (actual or potential) which may arise in relation to the Scheme. The Policy takes account of the guidance from the Pensions Regulator and the Scheme Rules. Each Trustee declares his or her interests and these are recorded in a register which is reviewed as an agenda item at each Board meeting.

### Risk Management

The Trustees are responsible for the Scheme's financial position and hence the risk management and control systems. Risk management and internal control systems provide reasonable assurance that risks will be identified and managed. These controls also ensure strict compliance with primary legislation and regulation. The Trustees have a risk register to document the key risks for the Scheme and the controls in place for mitigating these risks.

### Financial Development of the Scheme

The Accounts are set out on pages 16 to 27. The Accounts have been prepared and audited in accordance with: The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996; and the regulations made under sections 41(1) and 41(6) of the Pensions Act 1995.

The net assets at 31 March 2020 were £428,176,647 which represents a decrease of £2,721,201 over the position at 31 March 2019. The reason for this decrease is presented below:

	2020 £	2019 £
Member related income	3,460	3,877
Member related payments	(11,600,229)	(10,318,202)
<b>Net withdrawals from dealings with members</b>	<b>(11,596,769)</b>	<b>(10,314,325)</b>
Net returns on investments	8,875,568	26,852,585
<b>Net (decrease)/increase in fund</b>	<b>(2,721,201)</b>	<b>16,538,260</b>
Net assets at start of year	430,897,848	414,359,588
<b>Net assets at end of year</b>	<b>428,176,647</b>	<b>430,897,848</b>

### COVID-19

At the time of approval of the financial statements, the COVID-19 virus continues to develop and has been designated a global pandemic by the World Health Organisation. Both short term and long term effects are unknown but, as for many schemes at this time, the Trustees consider whether there is potential for a significant and enduring impact on the Scheme.

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees considered the impact of the COVID-19 outbreak and have taken into account plausible downside assumptions of the sponsoring employer to gain comfort that it will continue to make contributions as they fall due. This assessment, together with income and capital growth from its assets, gives the Trustees confidence to prepare the financial statements on a going concern basis.

**Trustees' Report (continued)****Crown Guarantee**

On 1 April 2013, the Scheme was provided with a Crown Guarantee from the Employer. This provides members of the Scheme with protection that their benefits will be paid as the Employer will ensure the Trustees have sufficient funds available to meet all future payment obligations.

In addition, the Legal Services Commission Occupational Pension and Compensation Transfer Scheme sets out the funding framework of the Scheme which requires actuarial valuations to be conducted at least every three years. If the valuation results identify insufficient funding the Employer will be required to commence payments to the Scheme to meet the shortfall as detailed on the following page.

<b>Funding Level (%)</b>	<b>Recovery Payment Plan</b>
Above 105%	The Employer can elect to withdraw money out of the fund, only to the extent that the funding level does not drop below 105%.
90% – 105%	No recovery plan required.
85% – 90%	No recovery plan required unless two consecutive valuations fall within this funding level. If so, then a 20 year recovery plan is required to restore the funding to 100%.
Below 85%	A 20 year recovery plan to be put in place until the Scheme is back to a fully funded position at 100%. The Employer does have the option of topping up the fund to the desired fully funded position.

**Summary of Contributions**

The results of the 2019 valuation established a funding level of 96%. No deficit contributions were required from the Employer under the Scheme's funding arrangement as the Scheme was more than 90% funded on the Technical Provisions basis at the valuation date.

**Report on Actuarial Liabilities**

The Scheme has a funding objective, which is to have sufficient assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date, assessed using assumptions set by the Trustee as set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2019 and a summary of the results is set out below:

	<b>31 March 2019</b>
The value of the assets was:	£431m
The value of the Technical Provisions* was:	£451m

\*The Technical Provisions represent the estimated cost of providing benefits for Scheme members.

The method and significant assumptions used to determine the Technical Provisions are as follows:

**Trustees' Report (continued)**  
**Report on Actuarial Liabilities (continued)**

**Method**

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

**Significant actuarial assumptions**

RPI inflation	Market implied gilt RPI curve
CPI inflation	RPI curve less 0.7% p.a.
Pre-retirement discount rate	Gilt yield curve plus an addition. The addition is 0.5% p.a. in 2019 and the addition tapers down linearly to no addition by 2039.
Post-retirement discount rate	Gilt yield curve plus an addition. The addition is 0.5% p.a. in 2019 and the addition tapers down linearly to no addition by 2039.
Longevity base tables – post retirement	Club Vita tables
Longevity future improvements	2018 CMI model with a long term rate of improvement of 1.75% p.a. for males and females and an initial addition 'A' parameter of +0.5 for males and +0.25 for females
Longevity base table – pre retirement	S3PMA for men and S3PFA for women

The next formal valuation of the Scheme is due as at 31 March 2022.

**Changes in Benefits of the Scheme**

There have been no changes to the benefits of the Scheme during the year.

**Guaranteed Minimum Pensions**

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. Following the High Court's judgement the Trustees began looking into equalising GMP and have received training on industry developments and equalisation methods. The Trustees are now awaiting further guidance from HMRC before moving forwards. The calculation of the changes to Scheme benefits that will arise from equalising GMPs is complex and the methodology to be adopted in determining the amounts has yet to be agreed. The Trustees will be unable to estimate the overall potential cost of equalisation until detailed calculations on a case-by-case basis have been performed. However, from the initial review performed by the Scheme Actuary (based on an estimate which was calculated for the employer accounts) the overall increase in the liabilities of the Scheme is estimated to be less than 0.05% of the total actuarial liabilities.

**Trustees' Report (continued)****Report on Actuarial Liabilities (continued)****Pension Increases**

On 1 April each year the Scheme awards pensioners and preserved members an increase to their annual pension, which is linked to the change in the Consumer Price Index over the year to the previous September, as required by the Scheme Rules. The change in the Consumer Price Index over the year to September 2018 was 2.4%, therefore a pension increase of 2.4% was awarded to members' pensions on 1 April 2019.

**Transfer Values**

All transfer values paid and benefits secured by transfer values received during the year were calculated and verified as required under Section 97 of the Pension Schemes Act 1993.

Transfer values paid represented the full value of members' guaranteed benefits. There were no transfers paid at less than the cash equivalent.

No allowance is made for any discretionary benefits when assessing transfer values.

## Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2020 is shown below:

Pensioner Members (including spouses and dependants)	Number
<b>As at 31 March 2019</b>	<b>949</b>
Prior period adjustments <sup>1</sup>	6
<b>As at 1 April 2019</b>	<b>955</b>
Retirements	48
New beneficiaries	5
Deaths	(14)
Other (Full commutation)	(1)
<b>Pensioner members as at 31 March 2020</b>	<b>993</b>

Included within pensioners are 216 pensioners (2019: 280) whose pensions are part paid from annuities held in the name of the Trustees.

Deferred Pensioner Members	Number
<b>As at 31 March 2019</b>	<b>1,342</b>
Prior period adjustments <sup>1</sup>	(6)
<b>As at 1 April 2019</b>	<b>1,336</b>
Retirements	(48)
Transfers out	(6)
Other (Full commutation)	(1)
<b>Deferred pensioner members as at 31 March 2020</b>	<b>1,281</b>

<sup>1</sup> Prior period adjustments relate to late notification of movements which occurred in the relevant reporting period.



## Trustees' Report (continued)

# Investment Policy

## Investment Governance

The Trustees rely on the governance activities of their Investment Manager. However, the Trustees are firmly committed to ensuring that their manager prioritises the application of the Financial Reporting Council (FRC) UK Stewardship Code appropriately, as good stewardship can enhance long term portfolio performance, and is therefore in the best interest of all stakeholders of the Scheme.

The Trustees support the principles of the Stewardship Code and in conjunction with the Scheme's Investment Manager, the Trustees apply the seven principles of the Stewardship Code in respect of the Scheme's investment portfolio. The Trustees' full statement on adherence may be found on the FRC website:

<https://www.frc.org.uk/FRC-Documents/Corporate-Governance/Stewardship-Code/LSCSPAS.pdf>.

The Trustees hold regular meetings with their Investment Manager to discuss their corporate governance approach to ensure it continues to meet with the Trustees' approval. In addition, they will continue to monitor the activity and performance of their Investment Manager and to produce a Statement of Investment Principles ("SIP") in accordance with section 35 of The Pensions Act 1995. A copy is available on request from:

Hymans Robertson LLP  
One London Wall  
London  
EC2Y 5EA  
Email: [lscpensions@hymans.co.uk](mailto:lscpensions@hymans.co.uk)

## Myners

The Myners Code on institutional investment comprises a set of six pension fund investment principles. The Trustees have produced a statement 'Myners Adherence Document' which sets out their adoption of the Code and how they apply the principles in relation to the investment of the assets of the Scheme.

This document is available upon request from Hymans Robertson LLP whose contact details may be found above.

## Investment Objective and Strategy

The Trustees' main objective is to have sufficient assets to pay the future benefits from the Scheme.

The Trustees have set an investment strategy which they believe is the most appropriate for the Scheme in the long term taking into account the nature of liabilities they expect to meet.

The Trustees made one change to the Scheme's investment strategy over the year. This was to replace the Legal and General Investment Management (LGIM) Unhedged World Equity Index Fund (which tracks a market cap-weighted global index) with the LGIM Future World Fund in January 2020. The Future World Fund is also an index-tracking equity fund, but it uses a different methodology than market cap-weighting for determining the amount invested in each company. This means the fund has a bias to companies with the following factors: value, low volatility, quality and smaller size with the aim of achieving higher returns compared with the market cap-weighted index. It also aims to reduce risks from future climate policy and technology changes.

**Trustees' Report (continued)**  
**Investment Policy (continued)**  
**Asset Allocation**

The table below shows how the investment assets were split between the Legal and General ("L&G") funds as at 31 March 2019 and 2020. The assets below include only assets under the management of the investment manager and do not include the current assets and current liabilities of the Scheme:

Asset Class	Valuation 31 March 2020		Current Benchmark	Valuation 31 March 2019	
	£	%		£	%
<b>Matching assets</b>					
L&G 2035 Index-Linked Gilt	3,769,648	0.9		24,279,380	5.7
L&G 2040 Index-Linked Gilt	35,297,353	8.4		34,164,731	8.1
L&G 2042 Index-Linked Gilt	50,187,886	12.0		48,746,037	11.5
L&G 2050 Index-Linked Gilt	55,254,852	13.2		54,474,688	12.9
L&G 2055 Index-Linked Gilt	45,525,688	10.8		45,055,052	10.7
L&G 2058 Index-Linked Gilt	7,759,681	1.8		7,713,480	1.8
L&G 2062 Index-Linked Gilt	27,432,116	6.5		27,559,230	6.5
L&G 2068 Index-Linked Gilt	32,144,202	7.7		32,518,862	7.7
L&G 2047 Gilt	6,607,181	1.6		5,525,132	1.3
L&G 2060 Gilt	10,688,208	2.5		8,707,705	2.1
L&G 2068 Gilt	38,891,907	9.3		30,460,243	7.2
	<b>313,558,722</b>	<b>74.7</b>	<b>76.0</b>	<b>319,204,540</b>	<b>75.5</b>
<b>Growth assets</b>					
L&G World Equity Index	-	-	12.0	52,146,597	12.3
L&G World Equity Index - GBP Hedged	53,105,833	12.7	12.0	51,621,942	12.2
L&G Future World Fund	52,833,103	12.6	-	-	-
	<b>105,938,936</b>	<b>25.3</b>	<b>24.0</b>	<b>103,768,539</b>	<b>24.5</b>
Cash in Transit	268,075	N/A		983,250	N/A
<b>Other</b>					
L&G Annuity Policies	6,817,000	N/A		7,328,000	N/A
<b>TOTAL INVESTMENT ASSETS</b>	<b>426,582,733</b>	<b>100.0</b>		<b>431,284,329</b>	<b>100.0</b>

Apart from the Legal & General Annuity Policies, all of the investments are pooled investment vehicles. The Gilt Funds, World Equity Funds and Future World Fund are priced and traded weekly by the investment manager on a bid price. The Trustees regard all the investments as readily marketable other than the Legal & General Insured Annuities.

**Investment Managers and Custodians**

The Trustees have delegated all day to day decisions about investments to the fund manager through a written agreement. When choosing investments, the Trustees and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulation 2005 (Regulation 4). Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 requires that the manager duties also include taking into account social, environmental or governance considerations ("ESG") in the selection, retention and realisation of investments, and voting and Corporate Governance in relation to the Scheme's assets. Specifically, the Trustees have explicitly acknowledged the relevance of climate change and ESG factors in framing their investment beliefs. The strategic benchmark of the Scheme has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

**Trustees' Report (continued)****Investment Policy (continued)****Investment Managers and Custodians (continued)**

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustees have discussed the potential impact of climate change with their Scheme Actuary and have reflected the inherent uncertainties in their choice of funding assumptions. The Trustees periodically discuss climate change with Hymans Robertson and their investment manager to consider the potential implications for the Scheme's investments.

As the Scheme's assets are managed on a passive basis, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believe this approach is in line with the basis on which their current strategy has been set. The Trustees review the index benchmarks employed for the Scheme on at least a triennial basis.

The Trustees have considered non-financially material factors when developing their investment strategy. However, the Trustees have agreed not to impose any restrictions or exclusions to the investment arrangements based purely on non-financially material factors.

**Legal & General – Managed Fund Assets**

Legal & General's investment objective is to maintain the Scheme's distribution of funds close to the strategic benchmark set by the Trustees and within specified control ranges. Changes to the distribution of the funds are achieved by the application of cash flows and switches between the funds where possible.

The managed fund assets (World Equity Funds, Future World Fund and Gilts) are units held within the sector funds of Legal & General. The funds are unitised and the value of the units fluctuate directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are obtained from independent, external pricing sources.

The underlying stocks and shares backing up the value of those units are held in safe custody by their nominees, HSBC Global Investor Services and Citibank.

**Legal and General – Annuity Policies**

The Trustees hold annuity policies with Legal and General which provide a regular guaranteed payment to the Scheme to cover a small number of retired members' benefits.

The annuity policies have been valued by the Scheme Actuary using assumptions consistent with the latest actuarial valuation and rolled forward for market conditions at the net asset date.

**Exercise of Voting Rights**

The Trustees have delegated the exercise of voting rights to LGIM on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, LGIM have produced written guidelines of their process and practice in this regard. LGIM are actively encouraged by the Trustees to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

**Employer Related Investments**

There were no employer related investments during the year (2019: £nil).

**Trustees' Report (continued)**  
**Investment Policy (continued)**  
**Investment Performance**

The Scheme's fund returns before manager charges over recent periods to 31 March 2020 are shown below together with the benchmark adopted by the Trustees:

**Legal & General – Pooled Funds Assets**

Fund	One year %		Three years % p.a.	
	Fund	Benchmark	Fund	Benchmark
Future World Fund <sup>[1]</sup>	N/A	N/A	N/A	N/A
World Equity Index - GBP Hedged <sup>[2]</sup>	-11.0	-11.0	N/A	N/A
2035 Index-Linked Gilt	4.9	4.9	3.9	3.9
2040 Index-Linked Gilt	3.7	3.7	3.5	3.5
2042 Index-Linked Gilt	3.4	3.4	3.6	3.6
2050 Index-Linked Gilt	1.7	1.7	3.0	3.0
2055 Index-Linked Gilt	1.7	1.7	2.9	2.9
2058 Index-Linked Gilt <sup>[2]</sup>	0.7	0.7	N/A	N/A
2062 Index-Linked Gilt	-0.3	-0.3	1.7	1.7
2068 Index-Linked Gilt	-1.1	-1.1	1.5	1.5
2047 Gilt <sup>[3]</sup>	19.6	19.6	N/A	N/A
2060 Gilt <sup>[3]</sup>	22.7	22.8	N/A	N/A
2068 Gilt <sup>[3]</sup>	27.7	27.7	N/A	N/A
<b>Total <sup>[4]</sup></b>	<b>2.0</b>	<b>N/A</b>	<b>3.5</b>	<b>N/A</b>

<sup>[1]</sup> Returns are not yet available for the Future World Fund as the Scheme first invested in this fund in January 2020.

<sup>[2]</sup> Three years returns for the World Equity Index - GBP Hedged Fund and the 2058 Index-Linked Gilt Fund are not applicable as the Scheme first invested in these funds in June 2017.

<sup>[3]</sup> Three year returns for the 2047, 2060 and 2068 gilts funds are not applicable as the Scheme first invested in these funds in March 2019.

<sup>[4]</sup> The benchmark return is not available due to the central benchmark being suspended for part of the reporting period in order to allow flexibility of where disinvestments were made from funds when cash was required from assets.

The Legal & General funds have performed in line with their benchmarks over one and three years.

The Trustees continue to monitor the performance of the funds on a regular basis.

## 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 active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and 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.

## Further Information

### Internal Dispute Resolution Procedure (IDRP)

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have an Internal Dispute Resolution procedure (IDRP) in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to Hymans Robertson at the address below.

### Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals about their benefits or for a copy of Scheme documentation, should be sent to the Scheme administrators at:

Hymans Robertson LLP  
One London Wall  
London  
EC2Y 5EA

Email: [lscpensions@hymans.co.uk](mailto:lscpensions@hymans.co.uk)

### The Money and Pension Service and The Pensions Ombudsman

Members have the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade  
Canary Wharf  
London  
E14 4PU  
Tel: 0800 917 4487  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Members can also submit a complaint form online:

[www.pensions-ombudsman.org.uk/our-service/make-a-complaint/](http://www.pensions-ombudsman.org.uk/our-service/make-a-complaint/)

If members have any general requests for information or guidance concerning their pension arrangements contact:

The Money and Pension Service  
Holburn Centre  
120 Holburn  
EC1N 2TD  
Tel: 020 8132 5284  
[www.Moneyandpensionsservice.org.uk](http://www.Moneyandpensionsservice.org.uk)

**Further Information (continued)**

**The Pensions Regulator (TPR)**

The Pensions Regulator (TPR) has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**Pension Tracing Service**

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

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

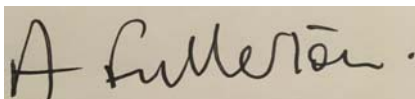
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

**Approval of the Report by the Trustees**

Signed for and on behalf of the Trustees of the Legal Services Commission No. 4 Pension Scheme by:



Trustee



Trustee

29.09.20

Date

## Section 3 – Independent Auditors’ Report

### Independent Auditors’ Report to the Trustees of the Legal Services Commission No.4 Pension Scheme Opinion

We have audited the financial statements of Legal Services Commission No.4 Pension Scheme for the year ended 31 March 2020 which comprise the Fund Account, the Statement of Net Assets and the related 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 March 2020, 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 Regulation 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.

### 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.



**Independent Auditor's Report (continued)****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**

As explained more fully in the Statement of Trustees Responsibilities set out on page 11, the Trustees are responsible for the preparation of the financial statements, for being satisfied that they give 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.

**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 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](http://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 Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's 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 Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Crowe U.K. LLP**

Statutory Auditor

London

29 September 2020

## Section 4 – Financial Statements

### Fund Account for year ended 31 March 2020

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>CONTRIBUTIONS AND BENEFITS</b>			
Other income	4	<u>3,460</u>	<u>3,877</u>
		<b>3,460</b>	<b>3,877</b>
Benefits paid or payable	5	<b>(9,515,636)</b>	(8,059,951)
Payments to and on account of leavers	6	<b>(1,563,609)</b>	(1,551,731)
Administrative expenses	7	<u><b>(520,984)</b></u>	<u>(706,520)</u>
		<b>(11,600,229)</b>	<b>(10,318,202)</b>
<b>Net withdrawals from dealings with members</b>		<b>(11,596,769)</b>	<b>(10,314,325)</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	8	<b>784,941</b>	972,478
Investment management expenses	9	<b>(270,047)</b>	(228,234)
Change in market value of investments	10	<u><b>8,360,674</b></u>	<u>26,108,341</u>
<b>Net returns on investments</b>		<b>8,875,568</b>	<b>26,852,585</b>
<b>Net (decrease)/increase in the Scheme during the year</b>		<b>(2,721,201)</b>	<b>16,538,260</b>
<b>Balance of the Scheme at the start of the year</b>		<b>430,897,848</b>	<b>414,359,588</b>
<b>Balance of the Scheme at the end of the year</b>		<u><b>428,176,647</b></u>	<u><b>430,897,848</b></u>

The notes on pages 18 to 27 form part of these financial statements.

**Statement of Net Assets (available for benefits) as at 31 March 2020**

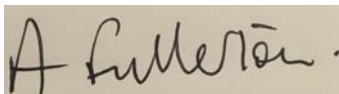
		2020	2019
	Note	£	£
<b>Investment assets</b>	10		
Pooled investment vehicles		<b>419,497,658</b>	422,973,079
Annuity policies		<b>6,817,000</b>	7,328,000
Cash in transit		<b>268,075</b>	983,250
		<b>426,582,733</b>	431,284,329
<b>Current assets</b>	11	<b>2,046,058</b>	110,587
<b>Current liabilities</b>	12	<b>(452,144)</b>	(497,068)
<b>Net assets of the Scheme at the end of the year</b>		<b>428,176,647</b>	430,897,848

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 in Section 2 and these financial statements should be read in conjunction therewith.

These financial statements were approved by the Trustees of the Legal Services Commission No. 4 Pension Scheme, and signed for and on their behalf by:



Trustee



Trustee

29.09.20

Date

The notes on pages 18 to 27 form part of these financial statements.

## Section 5 – Notes to the Financial Statements

### Notes to the financial statements for the year ended 31 March 2020

#### 1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the guidance set out in the Statement of Recommended Practice (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 Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements. However, it has required certain additions to or amendments of disclosures in the financial statements.

The financial statements are prepared in sterling, which is the functional currency of the Scheme. Monetary amounts in these financial statements are rounded to the nearest £.

#### 2 ACCOUNTING POLICIES IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee Directors’ Report is:

Hymans Robertson LLP  
One London Wall  
London  
EC2Y 5EA

#### 3 ACCOUNTING POLICIES

The Scheme functional and presentation currency is pounds sterling. The principal accounting policies, which have been consistently applied during the year, are set out below.

##### 3.1 Benefits

Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for by reference to the later of the date of retirement or leaving the Scheme, or the date the option is exercised.

##### 3.2 Transfers

Transfer values from and to other pension arrangements are accounted for when the liability for any pension benefits in respect of a transferring member passes to or from the Scheme.

##### 3.3 Expenses

Administrative and investment management expenses are accounted for on an accruals basis.

##### 3.4 Income

Annuity income is accounted for by reference to the period to which it relates.

**Notes to the financial statements for the year ended 31 March 2020 (continued)****3.5 Investments**

Pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager.

Annuity policies have been valued by the Scheme Actuary using assumptions consistent with the latest actuarial valuation and rolled forward for market conditions at the net asset date.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

**4 OTHER INCOME**

	2020	2019
	£	£
Bank interest	2,188	3,100
Income from HMRC in relation to GMP reconciliation	857	-
Sundry income	71	86
Transfer calculation fees	344	691
	<u>3,460</u>	<u>3,877</u>

**5 BENEFITS PAID OR PAYABLE**

	2020	2019
	£	£
Pensions	7,902,408	7,338,398
Commutations and lump sum retirement benefits	1,578,427	638,837
Lump sum death benefits	34,801	82,716
	<u>9,515,636</u>	<u>8,059,951</u>

**6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	2020	2019
	£	£
Individual transfers to other schemes	<u>1,563,609</u>	<u>1,551,731</u>

## Notes to the financial statements for the year ended 31 March 2020 (continued)

**7 ADMINISTRATIVE EXPENSES**

	<b>2020</b>	2019
	£	£
Audit fees	<b>7,960</b>	26,082
Actuarial and consulting fees	<b>305,539</b>	538,925
Other expenses	<b>207,485</b>	141,513
	<b>520,984</b>	706,520

**8 INVESTMENT INCOME**

	<b>2020</b>	2019
	£	£
Income from pooled investment vehicles	-	199,377
Income from annuity policies	<b>784,941</b>	773,101
	<b>784,941</b>	972,478

**9 INVESTMENT MANAGEMENT EXPENSES**

	<b>2020</b>	2019
	£	£
Investment management expenses	<b>270,047</b>	228,234

## Notes to the financial statements for the year ended 31 March 2020 (continued)

## 10 INVESTMENTS

## 10.1 INVESTMENT RECONCILIATION

	<i>Opening value</i>	<i>Purchase cost</i>	<i>Sales proceeds</i>	<i>Change in market value</i>	<i>Closing value</i>
	£	£	£	£	£
Pooled investment vehicles	<b>422,973,079</b>	150,977,067	(163,324,162)	8,871,674	<b>419,497,658</b>
Annuity policies	<b>7,328,000</b>	-	-	(511,000)	<b>6,817,000</b>
	<b>430,301,079</b>	<u>150,977,067</u>	<u>(163,324,162)</u>	<u>8,360,674</u>	<b>426,314,658</b>
Cash in transit	<b>983,250</b>				<b>268,075</b>
<b>TOTAL NET INVESTMENTS</b>	<b>431,284,329</b>				<b>426,582,733</b>

The purchases and sales of the pooled investment vehicles represents the sale of the World Equity Fund and reinvestment of proceeds in the Future World Equity Fund and the rebalancing of the portfolio to the strategic benchmark. The change in the 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.

## 10.2 POOLED INVESTMENT VEHICLES (PIV)

The holdings in pooled investment vehicles at the year end comprise:

	<b>2020</b>	2019
	£	£
<b>Pooled Investment Vehicles</b>		
<b>Growth assets</b>		
World Equity fund	-	52,146,597
World Equity fund - GBP Hedged	<b>53,105,833</b>	51,621,942
Future World fund	<b>52,833,103</b>	-
<b>Matching assets</b>		
Fixed Interest and Index-Linked Gilt funds	<b>313,558,722</b>	319,204,540
	<b>419,497,658</b>	<u>422,973,079</u>

**Notes to the financial statements for the year ended 31 March 2020 (continued)****10 INVESTMENTS (CONTINUED)****10.3 ANNUITY POLICIES**

The Trustees hold annuity policies with Legal and General which provide a regular guaranteed payment to the Scheme to cover a small number of retired members' benefits. No collateral is held in relation to these assets.

As at 31 March 2020, the Actuary valued the annuity policies at £6,817,000 (2019: £7,328,000).

The annuity policies have been valued by the Scheme Actuary using assumptions consistent with the latest actuarial valuation (dated 2019) but allowing for updated member data and market conditions at the net asset date.

**10.4 CONCENTRATION OF INVESTMENTS**

The following investments account for more than 5% of the Scheme's total net assets (including current assets and liabilities) as at 31 March 2020 (or accounted for more than 5% as at the prior year end, 31 March 2019):

Investment	2020 £	2020 % of net assets	2019 £	2019 % of net assets
Legal & General 2050 Index Linked Gilt Fund	55,254,852	12.9	54,474,688	12.6
Legal & General World Equity Index Hedged Fund	53,105,833	12.4	51,621,942	12.0
Legal & General Future World Fund	52,833,103	12.3	-	-
Legal & General 2042 Index Linked Gilt Fund	50,187,886	11.7	48,746,037	11.3
Legal & General 2055 Index Linked Gilt Fund	45,525,688	10.6	45,055,052	10.4
Legal & General 2068 Gilt Fund	38,891,907	9.1	30,460,243	7.1
Legal & General 2040 Index-Linked Gilt Fund	35,297,353	8.2	34,164,731	7.9
Legal & General 2068 Index Linked Gilt Fund	32,144,202	7.5	32,518,862	7.5
Legal & General 2062 Index Linked Gilt Fund	27,432,116	6.4	27,559,230	6.4
Legal & General World Equity Index Fund	-	-	52,146,597	12.1

**10.5 INVESTMENT TRANSACTION COSTS**

Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect costs. There are no direct transaction costs in the current and preceding year.

**10.6 INVESTMENTS FAIR VALUE HIERARCHY**

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment date;
Level 2	Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset or liability, either directly or indirectly);
Level 3	Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.



**Notes to the financial statements for the year ended 31 March 2020 (continued)****10 INVESTMENTS (CONTINUED)****10.6 INVESTMENTS FAIR VALUE HIERARCHY (CONTINUED)**

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

As at 31 March 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	419,497,658	-	419,497,658
Annuity policies	-	-	6,817,000	6,817,000
Cash in transit	268,075	-	-	268,075
	<b>268,075</b>	<b>419,497,658</b>	<b>6,817,000</b>	<b>426,582,733</b>

As at 31 March 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	422,973,079	-	422,973,079
Annuity policies	-	-	7,328,000	7,328,000
Cash in transit	983,250	-	-	983,250
	<b>983,250</b>	<b>422,973,079</b>	<b>7,328,000</b>	<b>431,284,329</b>

**10.7 INVESTMENT RISKS**

This note discloses information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are as follows:

Credit risk 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 comprises currency risk, interest rate risk and other price risk as follows:

- Currency risk 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 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 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 their investment strategy after taking advice from the investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. The Trustees manage investment risks, including credit risk and market risk on an ongoing basis.

The Scheme aims to invest its assets to ensure the security, quality and liquidity of the portfolio as a whole, and in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

**Notes to the financial statements for the year ended 31 March 2020 (continued)****10 INVESTMENTS (CONTINUED)****10.7 INVESTMENT RISKS (CONTINUED)**

Further details of the objectives of the Trustees have been provided in the Investment Policy under “Investment Objective and Strategy”. The Trustees have selected appropriate pooled investment vehicles that meet the investment strategy.

Further information on the Trustees’ approach to risk management, credit and market risk is set out below.

**(i) Credit risk**

The Scheme invests in pooled investment vehicles of £419,497,658 (2019: £422,973,079) and annuity policies of £6,817,000 (2019: £7,328,000) and is therefore indirectly exposed to credit risk in relation to the holdings in these investments. Pooled investment vehicles and annuity policies are unrated due to their nature.

The annuity policies are with Legal & General and the investment adviser monitors any changes to the operating environment of Legal & General on an ongoing basis.

The 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 operate and diversification of the investments amongst a number of pooled arrangements. The investment advisor appointed by the Trustees carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled managers.

Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts of £419,497,658 (2019: £422,973,079) and units in open-ended investment funds of £nil (2019: £nil).

A summary of the pooled investment vehicle’s direct credit risk for the Scheme is as follows:

Type of vehicle	31 March 2020 £	31 March 2019 £
Unit linked insurance contract	419,497,658	422,973,079

The Scheme is also indirectly exposed to credit risks arising on the government bonds held by the gilt and index-linked gilt funds although the extent of the risk is dependent on the portfolio held at the time. This risk is mitigated by only holding government bonds where the credit risk is minimal.

The above disclosure applied to both the current and preceding year-end.

**(ii) Currency risk**

The Scheme is subject to currency risk because the LGIM Future World Fund valued at £52,833,103 at 31 March 2020 (2019: £nil) invests in foreign companies. This means that the value of this fund may be affected favourably or unfavourably by fluctuations in currency rates. During the year the Scheme had foreign currency exposure in the LGIM World Equity Index Fund (unhedged), but this was sold and replaced by the LGIM Future World Fund in January 2020. The LGIM World Equity Index Hedged Fund valued at £53,105,833 at 31 March 2020 (2019: £51,621,942) hedges foreign currency back to Sterling and therefore does not have any currency risk.

**Notes to the financial statements for the year ended 31 March 2020 (continued)****10 INVESTMENTS (CONTINUED)****10.7 INVESTMENT RISKS (CONTINUED)****(iii) Interest rate risk**

The Scheme is subject to interest risk in the matching asset portfolio of £313,558,722 (2019: £319,204,540). The Trustees have set a target benchmark of 76% (2019: 76%) of total invested assets for the matching assets excluding the annuity policies. At the year end, 74.7% (2019: 75%) of the portfolio was held in matching assets, based on the fair value of investments. The split between the matching and growth assets is maintained within control ranges by the investment manager by automatically rebalancing back to the central benchmark when required. The Trustees continue to monitor the benchmark allocation on a regular basis to ensure that this is consistent with the overall strategy of the Scheme.

The annuity policies valued at £6,817,000 (2019: £7,328,000) are also subject to interest risk as any changes to interest rates would affect the value of the annuity policies.

Under the matching asset portfolio and annuity policies, if interest rates fall/inflation rises, the value of these investments will rise to help offset the corresponding increase in value of the liabilities. Similarly, if interest rates rise/inflation rates fall, these investments will fall in value, as will the value of the liabilities.

**(iv) Other price risk**

Other price risk arises principally in relation to a proportion of the Scheme's growth portfolio covering the World Equity and Future World Funds totalling £105,938,936 (2019: £103,768,539). The Scheme has set a target asset allocation of 24% (2019: 24%) of total investments excluding the annuity policies being held in the growth portfolio. At the year end, 25.3% (2019: 25%) of the portfolio was held in growth assets, based on the fair value of investments. The split between the matching and growth assets is maintained within control ranges by the investment manager by automatically rebalancing back to the central benchmark when required. The Trustees continue to monitor the benchmark allocation on a regular basis to ensure that this is consistent with the overall strategy of the Scheme. The Scheme manages the overall exposure to other price risk by constructing a diverse portfolio of investments across various markets.

**11 CURRENT ASSETS**

	2020	2019
	£	£
Cash balances	2,045,259	109,872
Sundry debtor	799	715
	<u>2,046,058</u>	<u>110,587</u>

**Notes to the financial statements for the year ended 31 March 2020 (continued)****12 CURRENT LIABILITIES**

	2020	2019
	£	£
Unpaid benefits	120,347	70,119
PAYE due to HMRC	95,327	78,421
Deferred annuity income	65,411	65,431
Due to administrators	20,746	42,769
Due to Auditors	15,000	21,500
Due to Actuaries	45,691	122,390
Due to Legal advisors	18,000	36,276
Due to Trustees	1,584	2,162
Investment management fees due	67,669	58,000
Investment consultancy fees due	2,369	-
	<b>452,144</b>	<b>497,068</b>

**13 TAXATION**

The Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income (see Note 8) to which they relate.

**14 RELATED PARTY TRANSACTIONS**

Three Trustees were deferred members, two Trustees were pensioners and one Trustee was an independent Chair (i.e. not a member of the Scheme) during the year. During the year the Scheme paid £9,458 (2019: £9,367) in relation to Trustee fees and expenses. This is included in other expenses in Note 7.

**15 EMPLOYER RELATED INVESTMENTS**

There were no employer related investments at 31 March 2020 (2019: £nil) or at any time during the year.

**16 GMP EQUALISATION**

As explained on page 5 in the Report on Actuarial Liabilities, 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 of the Scheme are aware the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. From the initial review performed by the Scheme's Actuary the overall increase in the liabilities of the Plan is estimated to be around 0.05% (c £180,000) however the Scheme's Actuary is currently unable to provide an analysis of liability relating to backdated amounts and the future liability. As the Trustees do not expect these to be material to the financial statements a liability in respect of these matters has not been included in these financial statements.

**Notes to the financial statements for the year ended 31 March 2020 (continued)****17 COVID-19**

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 although the impact has been partially mitigated due to the liability matching funds. 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 Plan's investment strategy taking a long term view. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of this disruption on the Plan's asset valuation at the date of approval of these financial statements.

## Section 6 – Independent Auditor’s Statement about Contributions

### **Independent Auditor’s Statement about Contributions to the Trustees of the Legal Services Commission No.4 Pension Scheme**

#### **Statement about contributions payable under the schedule of contributions**

We have examined the summary of contributions to Legal Services Commission No. 4 Pension Scheme (the “Scheme”) for the year ended 31 March 2020 which is set out in the Trustees’ Report on page 4.

In our opinion contributions for the Scheme year ended 31 March 2020 as reported in the summary of contributions and payable 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 2 November 2016 for the period 1 April 2019 to 11 November 2019 and the Schedule of Contributions certified by the Scheme Actuary on 12 November 2019 for the period 12 November 2019 to 31 March 2020.

#### **Basis of opinion**

Our objective is to obtain sufficient evidence 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.

#### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees’ Responsibilities, the Scheme’s Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

#### **Auditor’s responsibilities for the statement about 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 statement**

This statement is made solely to the scheme’s trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the scheme’s 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 statement, or for the opinion we have formed.



**Crowe U.K. LLP**

Statutory Auditor

London

29 September 2020