

The Legal Services Commission Staff Pension & Assurance Scheme No.4

Annual Report and Financial Statements
31 March 2025
Scheme Registration number 10027837

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Section 1 – Trustees and their Advisers

The Trustees

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

Independent Chair

BESTrustees Limited – represented by Michelle Darracott

Employer nominated

Audrey Fullerton

Peter Church

David Collins

Member nominated

Giorgio Bugnatelli

Rosina Farrell (resigned on 2 April 2025)

Hugh Barrett (appointed on 2 April 2025)

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 CERA

Administrator

Hymans Robertson LLP

Auditor

Crowe U.K. LLP

Legal Adviser

CMS Cameron McKenna Nabarro Olswang LLP

Investment Manager

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

Banker

Barclays Bank Plc

Principal Employer

Ministry of Justice

Pensions Manager

Catherine McLoughlin, Ministry of Justice (resigned 14 June 2024)

Florence Spencer, Ministry of Justice (appointed 14 June 2024)

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 2025.

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 can 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 had four formal Trustee meetings during the year to consider matters of administration, investment and to discuss relevant issues with the Scheme’s external advisers (2024: four).

Trustees' Report (continued)

Trustees' 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 and the Trustee Training Log.

The Pensions Regulator's General Code of Practice (published in March 2024) specifies the areas of knowledge and understanding required and TPR has developed an e-learning website (Trustee Toolkit) to help meet this requirement. Trustees are encouraged to complete all modules of this toolkit. All the Trustees have completed all the Pensions Regulator's Trustee Toolkit "Essential" Modules at the time these accounts were produced. The Trustees plan their training for the Scheme year ahead around significant decisions required throughout the year.

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 their interests, and these are recorded in a register. Any new conflicts are requested to be declared at the beginning of each Trustees' 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. Current key risks or emerging risks are discussed at each Trustees' meeting to review the ongoing sufficiency of the controls in place and agree any further controls necessary. Current key risks or emerging risks are discussed at each Trustees' meeting to review the ongoing sufficiency of the controls in place and agree any further controls necessary.

Trustees' Report (continued)**Financial Development of the Scheme**

The Accounts are set out on pages 20 to 31. 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 2025 were £264,636,245 which represents a decrease of £31,838,110 over the position at 31 March 2024. The reason for this decrease is presented below:

	2025 £	2024 £
Member related income	106,927	109,364
Member related payments	(12,800,713)	(11,705,540)
Net withdrawals from dealings with members	(12,693,786)	(11,596,176)
Net returns on investments	(19,144,324)	(8,814,897)
Net decrease in fund	(31,838,110)	(20,411,073)
Net assets at start of year	296,474,355	316,885,428
Net assets at end of year	264,636,245	296,474,355

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 below table:

Funding Level (%)	Recovery Payment Plan
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 2022 valuation established a funding level of 97%. 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 Trustees 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 2022 and a summary of the results is set out below:

	31 March 2022
The value of the assets was:	£463m
The value of the Technical Provisions* was:	£478m

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

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

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

Method

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

Significant actuarial assumptions

Retail Price Index ("RPI") inflation	Market implied gilt RPI curve
Consumer Price Index ("CPI") inflation	Term-dependant rate - RPI curve less 0.7% p.a. pre-2030, and RPI less 0% p.a. post 2030
Pre-retirement discount rate	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.
Post-retirement discount rate	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.
Longevity base tables – post retirement	Latest Club Vita tables (2022 curves, adjusted for excess Covid deaths)
Longevity future improvements	2021 CMI model with a long-term rate of improvement of 1.75% p.a. for males and females, an initial addition 'A' parameter of +0.25 for males and +0 for females and a 'W' parameter of 0 (no weight on 2020 or 2021 data).
Longevity base table – preretirement	S3PMA for men and S3PFA for women

The next formal valuation of the Scheme is due as at 31 March 2025 and is currently underway.

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 Guaranteed Minimum Pensions ("GMP") and have sought to receive training on industry developments and equalisation methods. Shortly after the judgement the Trustees formed a 'GMP subgroup', including their advisors, to work through the various key decisions required to equalise GMP. The subgroup met once during the period covered by these financial statements. The main focus of this meeting was ensuring a plan was in place for the collation and preparation of the member data and scheme level data required to calculate GMP equalisation adjustments for impacted members, as well as ensuring a plan was in place to complete the project in the agreed timeframe. The GMP subgroup received training from their legal and actuarial advisors on the decisions required to progress the project and recommendations were made to the Trustee Board. These in-principle decisions were ratified by the Trustees at subsequent formal Trustee meetings.

Trustees' Report (continued)

Guaranteed Minimum Pensions (continued)

A further ruling in the Lloyds case was made on 20 November 2020, relating to Trustees' obligations to equalise GMP in past transfer values. The judge ruled that Trustees had a duty to make a transfer payment that correctly reflected members' rights to equalised benefits, meaning that Trustees may be required to issue top-up payments to members who have exercised their statutory right to transfer since May 1990. The Trustees previously adopted an approach to reflect equalised GMP in future transfer values, effective from 1 March 2021.

During 2022, the Trustees agreed in principle on the methodology to be adopted for the equalisation of Scheme GMP benefits (Method B dual records approach). The Employer also provided consent to use this method in principle. 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.

The reserve for the increase in the Scheme's liabilities as a result of GMP Equalisation is £500,000.

This reserve is included in the Scheme's Technical Provisions, and it includes an allowance for addressing GMP Equalisation in past transfers out of the Scheme. 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.

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 2024 was 6.7%, therefore a pension increase of 6.7 % was awarded to members' pensions on 1 April 2024.

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.

Trustees' Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2025 is shown below:

Pensioner Members (including spouses and dependants)	Number
As at 31 March 2024	1,123
Prior period adjustments ¹	12
As at 1 April 2024	1,135
Retirements	44
New beneficiaries	8
Deaths	(21)
Pensioner members as at 31 March 2025	1,166

Included within pensioners are 114 beneficiary pensioners (2024: 130) whose pensions are part-paid from annuities held in the name of the Trustees.

Deferred Pensioner Members	Number
As at 31 March 2024	1,026
Prior period adjustments ¹	(18)
As at 1 April 2024	1,008
Retirements	(44)
Transfers out	(2)
Deaths	(2)
Full commutation	(1)
Deferred pensioner members as at 31 March 2025	959

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

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 also hold their actuary and investment consultants to account by setting them objectives and reviewing progress against these every year.

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.

You can review the Scheme’s Stewardship Policy which can be found within the Scheme’s Statement of Investment Principles at: <https://www.lscpensions.co.uk>

A copy is also available on request from the Administrator/Scheme Secretary:

Hymans Robertson LLP

One London Wall

London

EC2Y 5EA

Email: LSCpensions@hymans.co.uk

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. At the start of the Scheme year, the Scheme conducted an LDI benchmark refresh and, during the year, carried out two LDI rebalancing events. The Scheme also de-risked from equity – the details of these transitions can be found in Section 10.1 of the Notes.

Asset Allocation

The table below shows how the investment assets were split between the Legal and General (“L&G”) funds as at 31 March 2024 and 2025. The assets below include only assets under the management of the investment manager and do not include all the current assets and current liabilities of the Scheme:

Asset Class	Valuation 31 March 2025		Current Benchmark	Valuation 31 March 2024	
	£	%		£	%
Matching assets					
L&G 2030 Index-Linked Gilt	3,419,989	1.3		1,097,392	0.4
L&G 2035 Index-Linked Gilt	43,676,609	16.8		35,964,973	12.4
L&G 2037 Index-Linked Gilt	-	-		605,777	0.2
L&G 2040 Index-Linked Gilt	7,769,877	3.0		31,716,179	10.9
L&G 2042 Index-Linked Gilt	18,257,688	7.0		1,774,300	0.6
L&G 2047 Index-Linked Gilt	1,992,979	0.8		-	-
L&G 2050 Index-Linked Gilt	624,383	0.2		6,793,048	2.3
L&G 2055 Index-Linked Gilt	7,799,617	3.0		825,063	0.3

Investment Policy (continued)

Asset Allocation (continued)

Asset Class	Valuation 31 March 2025		Current Benchmark	Valuation 31 March 2024	
	£	%	%	£	%
Matching assets					
L&G 2058 Index-Linked Gilt	-	-		8,462,561	2.9
L&G 2062 Index-Linked Gilt	6,370,665	2.5		6,361,665	2.2
L&G 2068 Index-Linked Gilt	611,088	0.2		528,785	0.2
L&G 2073 Index-Linked Gilt	2,794,558	1.1		3,806,564	1.3
L&G Leveraged Inflation-Linked Gilt 2073	724,968	0.3		-	-
L&G 2034 Gilt	-	-		7,146,664	2.5
L&G 2038 Gilt	2,393,295	0.9		-	-
L&G 2042 Gilt	7,203,730	2.8		7,181,942	2.5
L&G 2047 Gilt	5,580,643	2.1		5,564,215	1.9
L&G 2060 Gilt	577,366	0.2		460,016	0.2
L&G 2065 Gilt	1,841,517	0.7		1,382,896	0.5
L&G 2071 Gilt	338,104	0.1		929,840	0.3
L&G 2073 Gilt	311,812	0.1		-	-
L&G 2053 Green Gilt Fund	4,294,859	1.7		3,942,065	1.4
L&G 2030 Leveraged ILG	3,119,602	1.2		4,560,268	1.6
L&G 2034 Leveraged ILG	-	-		1,759,662	0.6
L&G 2040 Leveraged ILG	905,570	0.3		4,128,505	1.4
L&G 2042 Leveraged ILG	9,832,838	3.8		6,862,608	2.4
L&G 2047 Leveraged ILG	3,573,075	1.4		-	-
L&G 2050 Leveraged ILG	7,135,767	2.7		20,046,701	6.9
L&G 2055 Leveraged ILG	6,396,754	2.5		2,959,921	1.0
L&G 2062 Leveraged ILG	3,505,236	1.3		3,156,046	1.1
L&G 2068 Leveraged ILG	1,061,518	0.4		3,224,797	1.1
L&G 2038 Leveraged Gilt	1,057,904	0.4		405,299	0.1
L&G 2042 Leveraged Gilt	-	-		114,859	0.0
L&G 2060 Leveraged Gilt	1,168,454	0.5		2,505,364	0.9
L&G 2073 Leveraged Gilt	142,741	0.1		-	-
L&G Maturing B&M Credit 2020-2024	-	-		7,880,652	2.7
L&G Maturing B&M Credit 2025-2029	63,154,071	24.3		56,713,161	19.5
Sterling Liquidity Fund	8,525,694	3.3		2,681,201	0.9
	226,162,971	87.0	88	241,542,989	83.1
Growth assets					
L&G World Equity Index - GBP Hedged	16,859,960	6.5		26,035,749	9.0
L&G Future World Fund	16,852,002	6.5		22,977,069	7.9
	33,711,962	13.0	12	49,012,818	16.9
Other					
L&G Annuity Policies	2,559,000	N/A		2,925,000	N/A
TOTAL INVESTMENT ASSETS	262,433,933	100.0	100.0	293,480,807	100.0

Investment Policy (continued)**Asset Allocation (continued)**

Apart from the Legal & General Annuity Policies, all the investments are pooled investment vehicles. The Gilt Funds, Buy and Maintain 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 and 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.

The Trustees have considered the risks of climate change and consequently have invested 50% of the target allocation to global equities in the L&G Future World Fund. This fund invests more in companies that have strong ESG scores and less in companies with lower scores. The Trustees have also discussed the potential impact of climate change with their Scheme Actuary and have reflected the risks 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. However, as mentioned above, the Trustees have invested in a passive fund that tracks an index that is tilted towards companies with strong ESG scores. 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.

The Trustees policy on portfolio turnover, stewardship and monitoring is included in the Statement of Investment Principles which is attached to this document.

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.

Investment Policy (continued)**Investment Managers and Custodians (continued)**

The managed fund assets (World Equity Funds, Future World Fund, Buy and Maintain Funds 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 by the manager's custodians, 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 L&G. Additional disclosures can be found in the latest SIP in the Section 8 and the Appendix. The Trustees receive stewardship reports from L&G detailing voting activity and selected 'significant votes' are expressed in Section 7 – Implementation Statement.

Employer Related Investments

There were no employer related investments during the year (2024: £nil).

Investment Performance

The Scheme's fund returns before manager charges over recent periods to 31 March 2025 are shown below together with the benchmark adopted by the Trustees:

Legal & General – Pooled Funds Assets

Fund	One year % ^[1]		Three years % p.a. ^[1]	
	Fund	Benchmark	Fund	Benchmark
Future World Fund	2.52	2.79	5.79	5.92
World Equity Index - GBP Hedged	7.13	7.59	8.20	8.37
L&G 2030 Index-Linked Gilt	1.91	1.78	-	-
L&G 2035 Index-Linked Gilt	(2.91)	(2.89)	(5.96)	(5.98)
L&G 2040 Index-Linked Gilt	(8.31)	(8.30)	-	-
L&G 2042 Index-Linked Gilt	(10.15)	(10.17)	-	-
L&G 2047 Index-Linked Gilt	-	-	-	-
L&G 2050 Index-Linked Gilt	-	-	-	-
L&G 2055 Index-Linked Gilt	(16.17)	(16.15)	-	-
L&G 2058 Index-Linked Gilt	(18.32)	(18.36)	(29.80)	(29.72)
L&G 2062 Index-Linked Gilt	(20.98)	(20.96)	(31.25)	(31.23)
L&G 2068 Index-Linked Gilt	(24.97)	(24.96)	-	-
L&G 2073 Index-Linked Gilt	(23.47)	(23.46)	-	-

Investment Policy (continued)

Investment Performance (continued)

Fund	One year % ^[1]		Three years % p.a. ^[1]	
	Fund	Benchmark	Fund	Benchmark
L&G 2034 Gilt	(0.72)	(0.75)	-	-
L&G 2038 Gilt	-	-	-	-
L&G 2042 Gilt	(4.79)	(4.79)	-	-
L&G 2047 Gilt	(8.60)	(8.63)	-	-
L&G 2060 Gilt	-	-	-	-
L&G 2065 Gilt	(11.71)	(11.70)	-	-
L&G 2071 Gilt	(10.81)	(10.81)	(23.49)	(23.41)
L&G 2073 Gilt	-	-	-	-
L&G 2053 Green Gilt Fund	(11.22)	(11.24)	-	-
L&G 2030 Leveraged ILG	(13.57)	(13.72)	-	-
L&G 2034 Leveraged ILG	(21.10)	(21.11)	-	-
L&G 2037 Leveraged ILG	-	-	-	-
L&G 2040 Leveraged ILG	(25.75)	25.79	-	-
L&G 2042 Leveraged ILG	(26.58)	26.59	-	-
L&G 2047 Leveraged ILG	-	-	-	-
L&G 2050 Leveraged ILG	(30.82)	(30.89)	-	-
L&G 2055 Leveraged ILG	(30.89)	(30.88)	-	-
L&G 2062 Leveraged ILG	(30.85)	(30.89)	-	-
L&G 2068 Leveraged ILG	(33.09)	(33.12)	-	-
L&G 2073 Leveraged ILG	-	-	-	-
L&G 2038 Leveraged Gilt	(21.19)	(21.27)	-	-
L&G 2060 Leveraged Gilt	(26.22)	(26.31)	-	-
L&G 2073 Leveraged Gilt	-	-	-	-
L&G Maturing B&M Credit 2020-2024 ^[2]	4.12	-	-	-
L&G Maturing B&M Credit 2025-2029 ^[2]	4.59	-	-	-
Total ^[2]	(7.14)	-	(14.21)	-

^[1] Where One year and Three-year returns are not provided this is because the Scheme has not held these funds for the required period.

^[2] The benchmark return has not been provided by L&G.

The Legal & General funds have performed in line with their benchmarks over one and three years. Gilt and Index-linked gilt funds returned poor absolute return numbers.

However, these funds are part of the Scheme's LDI allocation which is designed to match the movement in the Scheme's liabilities, which have also fallen. Therefore, the LDI funds have performed as intended.

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 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 emailing 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 by email to the Scheme administrators on page 9.

The Money and Pensions Service (“MaPS”)

This service is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustees of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service

Bedford Borough Hall

138 Cauldwell Street

Bedford

MK42 9AB

Tel: 01159 659 570

Email: contact@maps.org.uk

The Pensions Ombudsman

Members have the right to refer a 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 events(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

www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:

<https://www.pensions-ombudsman.org.uk/making-complaint>

Further Information (continued)

The Pensions Regulator (“TPR”)

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
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

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:

The Pension Service
Mail Handling Site A
Wolverhampton
WV98 1AF
Telephone: 0800 731 0175

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

..... 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 2025 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 2025, 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

In auditing the financial statements, we have concluded that the Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

However, as we cannot predict all future events or conditions, and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

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 14, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias
- Reviewing meeting minutes and any correspondence with the Pensions Regulator.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Misappropriation of investment assets owned by the scheme. This is addressed by obtaining direct confirmation from the fund manager of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. Reviewing the AAF 01/20 / ISAE 3402 Assurance Reports on Internal Controls or similar for fund managers and testing investment transactions to the investment manager reports.
- We have identified relevant laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, as the Pensions Acts 1995 and 2004 (and regulations made thereunder), FRS 102, and the Pensions Statement of Recommended Practice (SORP). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- Discussing whether there are any significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org/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

Section 4 – Financial Statements

Fund Account for year ended 31 March 2025

	Note	2025 £	2024 £
CONTRIBUTIONS AND BENEFITS			
Other income	4	106,927	109,364
		106,927	109,364
Benefits paid or payable	5	(11,478,580)	(10,809,150)
Payments to and on account of leavers	6	(272,132)	(128,161)
Administrative expenses	7	(1,050,001)	(768,229)
		(12,800,713)	(11,705,540)
Net withdrawals from dealings with members		(12,693,786)	(11,596,176)
RETURNS ON INVESTMENTS			
Investment income	8	492,874	332,570
Investment management expenses	9	(312,935)	(313,321)
Change in market value of investments	10	(19,324,263)	(8,834,146)
Net returns on investments		(19,144,324)	(8,814,897)
Net decrease in the Scheme during the year		(31,838,110)	(20,411,073)
Balance of the Scheme at the start of the year		296,474,355	316,885,428
Balance of the Scheme at the end of the year		264,636,245	296,474,355

The notes on pages 22 to 31 form part of these financial statements.

Financial Statements (continued)

Statement of Net Assets (available for benefits) as at 31 March 2025

		2025	2024
	<i>Note</i>	£	£
Investment assets	10		
Pooled investment vehicles		259,874,933	290,555,807
Annuity policies		2,559,000	2,925,000
		262,433,933	293,480,807
Current assets	11	2,783,069	3,584,621
Current liabilities	12	(580,757)	(591,073)
Net assets of the Scheme at the end of the year		264,636,245	296,474,355

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

..... Date

The notes on pages 22 to 31 form part of these financial statements.

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 31 March 2025

1 BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and 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”).

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 established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees’ Report and is available from the Administrator/Scheme Secretary:

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 to other pension arrangements are accounted for when the liability for any pension benefits in respect of a transferring member passes to the receiving scheme.

3.3 Expenses

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

3.4 Income

Annuity income is included in investment income on an accruals basis and is accounted for by reference to the period to which it relates.

Income from cash and short-term deposits is accounted for on accruals basis.

Income received in relation to non-investment income is accounted for on a cash basis.

Notes to the financial statements for the year ended 31 March 2025 (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

	2025	2024
	£	£
Bank interest	106,705	109,364
Transfer calculation fees	222	-
	106,927	109,364

5 BENEFITS PAID OR PAYABLE

	2025	2024
	£	£
Pensions	10,466,631	9,736,395
Commutations and lump sum retirement benefits	936,985	1,072,755
Lump sum death benefits	74,964	-
	11,478,580	10,809,150

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2025	2024
	£	£
Individual transfers to other schemes	272,132	128,039
Tax paid to HMRC	-	122
	272,132	128,161

Notes to the financial statements for the year ended 31 March 2025 (continued)

7 ADMINISTRATIVE EXPENSES

	2025	2024
	£	£
Audit fees	21,920	22,400
Actuarial and consulting fees	572,506	395,616
Administration fees	225,891	165,122
Legal fees	81,488	93,820
Trustee fees	38,473	25,998
Investment consulting fees	109,351	64,585
Other expenses	372	688
	<u>1,050,001</u>	<u>768,229</u>

8 INVESTMENT INCOME

	2025	2024
	£	£
Income from annuity policies	304,004	332,570
Other income from pooled investment vehicles	188,870	-
	<u>492,874</u>	<u>332,570</u>

Other income from pooled investment vehicles relates to an L&G pricing correction.

9 INVESTMENT MANAGEMENT EXPENSES

	2025	2024
	£	£
Investment management expenses	<u>312,935</u>	<u>313,321</u>

Notes to the financial statements for the year ended 31 March 2025 (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	290,555,807	120,993,487	(132,716,098)	(18,958,263)	259,874,933
Annuity policies	2,925,000	-	-	(366,000)	2,559,000
	293,480,807	120,993,487	(132,716,098)	(19,324,263)	262,433,933
TOTAL NET INVESTMENTS	293,480,807				262,433,933

Included in the purchases and sales of the pooled investment vehicles in the table above are the following transitions: switches of £61,667,915 in respect of LDI rebalancing exercises, switches of £45,835,492 in respect of equity de-risking.

The Scheme also experienced a number of de-leveraging and re-leveraging events on its LDI fund as yield volatility substantially increased. The balance of transitions is constituted of these de-leveraging and re-leveraging events along with distributions from funds in the form of dividends and coupons income.

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.

Notes to the financial statements for the year ended 31 March 2025 (continued)

10 INVESTMENTS (CONTINUED)

10.2 POOLED INVESTMENT VEHICLES (“PIV”)

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

	2025	2024
	£	£
Pooled Investment Vehicles		
Growth assets		
World Equity fund - GBP Hedged	16,859,960	26,035,749
Future World fund	16,852,002	22,977,069
Matching assets		
Fixed Interest and Index-Linked Gilt funds	154,483,206	174,267,975
Credit funds	63,154,071	64,593,813
Liquidity assets		
Sterling Liquidity Fund	8,525,694	2,681,201
	<u>259,874,933</u>	<u>290,555,807</u>

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 2025, the Actuary valued the annuity policies at £2,559,000 (2024: £2,925,000).

The annuity policies have been valued by the Scheme Actuary using assumptions consistent with the latest actuarial valuation (dated 2022) 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 2025 (or accounted for more than 5% as at the prior year end, 31 March 2024):

Investment	2025	2025	2024	2024
	£	% of net assets	£	% of net assets
Maturing B&M Credit 2025-2029 Fund	63,154,071	23.8	56,713,161	19.1
Legal & General 2035 Index Linked Gilt Fund	43,676,609	16.5	35,964,973	12.1
Legal & General 2042 Index-Linked Gilt	18,257,688	6.9	1,774,300	0.6
Legal & General World Equity Index Hedged Fund	16,859,958	6.4	26,035,749	8.8
Legal & General Future World Fund	16,852,002	6.4	22,977,069	7.8
Legal & General 2040 Index-Linked Gilt	n/a	n/a	31,716,179	10.7
Legal & General 2050 Leveraged Index Linked Gilt Fund	n/a	n/a	20,046,701	6.8

Notes to the financial statements for the year ended 31 March 2025 (continued)**10 INVESTMENTS (CONTINUED)****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 were no direct transaction costs in the year (2024: £12,787). Total savings realised amounted to £85,587.

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.

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

As at 31 March 2025	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	259,874,933	-	259,874,933
Annuity policies	-	-	2,559,000	2,559,000
	-	259,874,933	2,559,000	262,433,933
<hr/>				
As at 31 March 2024	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	290,555,807	-	290,555,807
Annuity policies	-	-	2,925,000	2,925,000
	-	290,555,807	2,925,000	293,480,807
<hr/>				

Notes to the financial statements for the year ended 31 March 2025 (continued)**10 INVESTMENTS (CONTINUED)****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.

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 which comprise unit linked insurance contracts of £259,874,933 (2024: £290,555,807) and annuity policies of £2,559,000 (2024: £2,925,000) and is therefore directly 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.

Notes to the financial statements for the year ended 31 March 2025 (continued)**10 INVESTMENTS (CONTINUED)****10.7 INVESTMENT RISKS (CONTINUED)**

The Scheme is also indirectly exposed to credit risks arising on the government and corporate bonds held by the gilt, index-linked gilt and Buy and Maintain funds although the extent of the risk is dependent on the portfolio held at the time. This risk is mitigated by holding government and investment grade corporate bonds where the credit risk is reduced.

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

(ii) Currency risk

The Scheme is subject to currency risk because the L&G Future World Fund valued at £16,852,002 at 31 March 2025 (2024: £22,977,069) invests in foreign companies. This means that the value of this fund may be affected favourably or unfavourably by fluctuations in currency rates. The L&G World Equity Index Hedged Fund valued at £16,859,960 as at 31 March 2025 (2024: £26,035,749) hedges foreign currency back to Sterling and therefore does not have any currency risk.

(iii) Interest rate risk

The Scheme is subject to interest risk in the matching asset portfolio of £226,162,971 (2024: £241,542,989). At the year-end, 87.0% (2024: 83.1%) of the portfolio was held in matching assets, based on the fair value of investments. The split between the matching and growth assets is usually 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 £2,559,000 (2024: £2,925,000) 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.

During the year, real and nominal yields rose causing the Scheme's gilt and index linked gilt fund values to fall. As indicated above, however, these market movements will have affected the valuation of the liabilities in the same way.

(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 £33,668,901 (2024: £49,012,818). The Scheme has an asset allocation of 13.0% (2024: 16.9%) of total investments excluding the annuity policies being held in the growth portfolio. The Scheme manages the overall exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Notes to the financial statements for the year ended 31 March 2025 (continued)**11 CURRENT ASSETS**

	2025	2024
	£	£
Cash balances	2,752,574	3,552,594
Other debtors	30,495	32,027
	<u>2,783,069</u>	<u>3,584,621</u>

12 CURRENT LIABILITIES

	2025	2024
	£	£
Unpaid benefits	82,144	52,080
Tax deducted from pensions	157,519	127,964
Other creditors	39,808	40,223
Accrued Expenses	301,286	370,806
	<u>580,757</u>	<u>591,073</u>

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 to which they relate.

14 RELATED PARTY TRANSACTIONS

One Trustee was a deferred member (2024: one) and three Trustees were pensioners (2024: three) during the year. During the year the Scheme paid £ 38,473 (2024: £25,998) in relation to Trustees' fees and expenses. This is included in other expenses in Note 7.

15 EMPLOYER RELATED INVESTMENTS

There were no employer related investments as at 31 March 2025 (2024: £nil) or at any time during the year.

Notes to the financial statements for the year ended 31 March 2025 (continued)**16 GMP EQUALISATION**

As noted on pages 6 to 7, 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 Guaranteed Minimum Pensions ("GMP") and have sought to receive training on industry developments and equalisation methods. Shortly after the judgement the Trustees formed a 'GMP subgroup', including their advisors, to work through the various key decisions required to equalise GMP. The subgroup met once during the period covered by these financial statements. The main focus of this meeting was ensuring a plan was in place for the collation and preparation of the member data and scheme level data required to calculate GMP equalisation adjustments for impacted members, as well as ensuring a plan was in place to complete the project in the agreed timeframe. The GMP subgroup received training from their legal and actuarial advisors on the decisions required to progress the project and recommendations were made to the Trustee Board. These in-principle decisions were ratified by the Trustees at subsequent formal Trustee meetings.

A further ruling in the Lloyds case was made on 20 November 2020, relating to Trustees' obligations to equalise GMP in past transfer values. The judge ruled that Trustees had a duty to make a transfer payment that correctly reflected members' rights to equalised benefits, meaning that Trustees may be required to issue top-up payments to members who have exercised their statutory right to transfer since May 1990. The Trustees previously adopted an approach to reflect equalised GMP in future transfer values, effective from 1 March 2021.

During 2022, the Trustees agreed in principle on the methodology to be adopted for the equalisation of Scheme GMP benefits (Method B dual records approach). The Employer also provided consent to use this method in principle. 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.

The reserve for the increase in the Scheme's liabilities as a result of GMP Equalisation is £500,000.

This reserve is included in the Scheme's Technical Provisions and it includes an allowance for addressing GMP Equalisation in past transfers out of the Scheme. 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

17 SECTION 37 LEGAL RULING

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. There is also potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The court decision was subject to appeal which was subsequently heard on 25 July 2024 and the original decision upheld.

The Trustees have no reason to believe that the relevant requirements were not complied with however they are consulting with the various advisors to understand the potential impact, if any, on the Scheme.

The Trustees also note the recent announcement on 5 June 2025 allowing retrospective actuarial confirmation certificates to be issued, which may affect how past amendments are treated under section 37. The implications of this development are also being considered.

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 schedules of contributions

We have examined the Summary of Contributions to Legal Services Commission No. 4 Pension Scheme for the year ended 31 March 2025 which is set out in the Trustees’ Report on page 5.

In our opinion contributions for the Scheme year ended 31 March 2025 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 2022.

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

Section 7 – Implementation Statement

Statement of Compliance with the Stewardship Policy for the Legal Services Commission Staff Pension and Assurance Scheme (No4) (“the Scheme”) for the year ending 31 March 2025.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 April 2024 to 31 March 2025.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's Statement of Investment Principles (SIP) review which was last completed on November 2024.

There were no changes to the Stewardship Policy during the last year. Since the end of the Scheme year, both the SIP and Stewardship Policy have been reviewed and are in the process of being finalised.

You can review the Scheme's Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at: <https://lscpensions.co.uk/media/yedb2cqm/230906-lsc-sip-clean.pdf>

The Trustees have also set RI beliefs and an associated RI policy and have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager. The Trustees believe it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees own engagement activity is focused on their dialogue with their investment manager, which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their manager and the Trustees consider the manager's exercise of their stewardship both during these meetings and through quarterly reporting provided by their manager.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustees seek to ensure that their manager is exercising voting rights and, where appropriate, to monitor the manager's voting patterns. The Trustees also monitor the investment manager's voting on particular companies or issues that affect more than one company.

The Scheme invests in two equity funds managed by LGIM. The Trustees are satisfied that LGIM has voted in line with their house policy. The manager has reported on how votes were cast in these funds during the reporting period as set out in Table 1 below:

Table 1: LGIM voting data

Voting data	World Equity Index Fund - GBP Currency Hedged	Future World Fund
Did the manager employ the house voting policy in managing the fund?	Yes	Yes
Was use made of any proxy voting service during the year?	Yes – Institutional Shareholder Services (ISS) with custom voting policy and specific voting instructions.	Yes – Institutional Shareholder Services (ISS) with custom voting policy and specific voting instructions.
No. of meetings eligible to vote at during the year	2,928	1,696
No. of resolutions eligible to vote on during the year	35,761	21,789
% of resolutions voted	99.7%	99.6%
% of resolutions voted with management	79.1%	80.4%
% of resolutions voted against management	20.6%	19.3%
% of resolutions abstained	0.3%	0.3%
% of meetings with at least one vote against management	74.2%	70.6%
% of resolutions voted against proxy adviser	14.6%	14.9%

Significant votes

The Trustees have asked LGIM to report on the most significant votes cast within the two equity funds. Significant is defined as votes which are associated with the Scheme's RI priorities of:

- Climate Change
- Modern Slavery
- Board Composition

They were asked to explain the reasons why votes identified were significant, how they voted, any engagement they undertook with the company and the outcome of the vote.

LGIM have provided information across the equity funds on significant votes. We have summarised that information in table 2 in the Appendix.

Trustees' engagement activity with LGIM

Over the 12 months to 31 March 2025, the Trustees met with L&G in Q4 2024 and Q1 2025. The meeting in Q4 2024 provided an update on RI activities and focused on engagement in climate change, modern slavery and board composition. The board requested LGIM on topics where clarity was poor from last year, or where further information was required. In particular, topics of discussion were:

- Glencore and potential failure to meet minimum standards on climate risk management
- Tangible examples of L&G adherence to their Modern Slavery policy

- L&G's position relating to Board Composition, specifically relating to combination of board chair and CEO roles

The Trustees receive quarterly reporting on LGIM's engagement activity and ESG impact reporting including details on voting activity. Over the 12 months to 31 March 2025 LGIM carried out 4,459 engagements with underlying investee companies held in the equity funds. This represents a substantial increase from last year driven by LGIM's Climate Impact Pledge letter campaign. Engagements primarily focused on climate change, human right and deforestation.

Review of policies

The Trustees are committed to reviewing LGIM's RI policies on an ongoing basis. This considers the manager's broader approach to responsible investment issues, their voting policies and changes in approach by the manager over the year.

The Trustees and their advisors remain satisfied that LGIM's responsible investment policies and voting policies remain suitable for the Scheme.

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

Trustee

Name


Date



Table 2: LGIM significant votes for the World Equity Index Fund - GBP Currency Hedged and Future World Fund

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Outcome and why considered significant	Outcome in line with LGIM vote
24 Apr 24	Bank of America Corporation	Report on Clean Energy Supply Financing Ratio	Shareholder Resolution - Climate change: A vote FOR this proposal was applied. LGIM believe that banks and financial institutions have a significant role to play in shifting financing away from brown to funding the transition to green and as such voted in support of this resolution.	PASSED: LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies. Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant as LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects companies to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.	Yes
18 Jul 24	SSE Plc	Approve Net Zero Transition Report	Climate Change: LGIM voted FOR the SSE Net Zero Transition Report. They commended the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting short and medium-term targets, in particular absolute scope 3 targets over the mid-term.	PASSED: LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress. Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	Yes

<p>7 Jun 24</p>	<p>Alphabet Inc.</p>	<p>Elect Director John L. Hennessy</p>	<p>Board Composition: A vote AGAINST is applied as LGIM expects a company to have at least one-third women on the board.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. LGIM expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.</p>	<p>PASSED: Average board tenure – LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. Thematic - One Share One Vote: LGIM considers this vote to be significant as LGIM supports the principle of one share one vote.</p>	<p>No</p>
<p>1 May 24</p>	<p>The Coca-Cola Company</p>	<p>Elect Director James Quincey</p>	<p>Board Composition: A vote AGAINST is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</p>	<p>PASSED: LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p> <p>Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of combination of the board chair and CEO.</p>	<p>No</p>

 9 Dec 24	Cisco Systems, Inc.	Elect Director Charles H. Robbins	Board Composition: A vote AGAINST is applied as LGIM expects companies to separate the roles of Chair and CEO.	PASSED: Significant due to risk management and oversight concerns. Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of combination of the board chair and CEO.	No
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Section 8 – Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of the Legal Services Commission Staff Pension and Assurance Scheme No.4 ("the Scheme") in accordance with the Pensions Act 1995. It is subject to periodic review by the Trustees at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustees consulted with the Ministry of Justice ("MoJ") as Scheme Sponsor and have taken written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme has a Crown Guarantee from the Secretary of State for Justice. However, the Scheme continues to treat the Statement of Investment Principles requirements, from Section 35 of the Pensions Act 1995, as applying to the Scheme, other than Section 35(5). If upon being consulted by the Trustees about the Statement of Investment Principles the Principal Employer objects to the inclusion in it of any category of investment, the Trustees shall omit such category of investment.

Scheme Objective

The Scheme closed to future accrual of all benefits on 31 March 2013. The Trustees' main objective is to have sufficient assets to pay the future benefits from the Scheme.

The funding position is monitored regularly by the Trustees and formally reviewed at each actuarial valuation, at no more than three-year intervals.

Investment Strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme. All day to day investment decisions have been delegated to the Scheme's manager, Legal & General Investment Management ("L&G"). L&G are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Scheme's strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests. The Scheme benchmark is consistent with the Trustees' views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy is reviewed from time to time and takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used). The Trustees monitor funding level against a de-risking trigger plan. As funding level increases, further de-risking is expected. The Trustees also monitor investment performance relative to their agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following formal actuarial valuations of the Scheme, and will normally be reviewed annually. In reviewing strategy, the Trustees will seek written advice as required. The current target asset allocation for the Scheme is set out in the Appendix. The Trustees' investment consultant will monitor their allocation relative to the benchmark and the benchmark range quarterly.

To achieve their objectives the Trustees have agreed the following:-

Choosing investments

The Trustees have decided to invest in a range of pooled funds managed by L&G. The L&G funds are managed on a passive (index-tracking) basis, whereby the investment manager seeks to match, rather than exceed the performance of the benchmark index.

The two L&G World Equity Funds invest in individual stocks in such a way as to replicate, as closely as possible, the composition of the benchmark indices. The Trustees have chosen to invest some of the equity allocation in an index-tracking fund that overall has a bias towards companies which have a more positive impact on climate change than the market cap-weighted index.

The Scheme has invested in two Maturing Buy and Maintain ("B&M") credit funds as part of a Cash Flow Driven ("CDI") strategy to match the Scheme's liability cashflow requirements for the next 5 years. The funds provide exposure to a portfolio of investment grade bonds which all have expected principal payments due to be paid before the end of 2029.

The other L&G funds are a mix of single stock levered and unlevered, gilt and index-linked gilt funds, which means each fund targets one single gilt issue and the split between the funds broadly matches the Scheme's underlying liabilities.

In adopting this approach, the Trustees are satisfied that the overall portfolio is suitably diversified as regards asset class, geographic spread and the number of stocks held.

Manager appointments

The Trustees have appointed the investment manager to deliver a specific benchmark, which overall will align to deliver the broader Scheme investment strategy. The Trustees ensure that their manager engagement has clearly defined benchmarks, objectives and management parameters.

The Trustees invest in pooled funds where the objectives of the funds and the policies of the investment manager are evaluated by the Trustees to ensure that they are appropriate for the needs of the Scheme.

Remuneration to the manager is determined at inception based on commercial considerations and set on an ad valorem basis. The Trustees periodically review the fees paid to its manager against industry standards.

The duration of a mandate is determined by the Trustees at the inception of each mandate. The Scheme invests in open-ended funds with no pre-determined term of appointment. The Trustees expect the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For the B&M funds, these are expected to be held until maturity. The Trustees recognise the long-term nature of the liability profile and appoint their manager to invest in such a way that generates long term sustainable returns. The Trustees will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The Trustees monitor their manager's performance against their respective benchmarks on a quarterly basis over a long-term time horizon of at least 3 years. The Trustees also measure their funds' tracking errors against benchmarks. The manager is expected to provide explanation for any significant deviations away from the benchmark.

Advice

The Trustees seek and consider written advice from a suitably qualified person when determining the appropriateness of a manager and fund for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If an investment in a security or product not previously known to the Trustees is proposed, appropriate advice is sought and considered to ensure its suitability.

Kinds of investments that may be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, and index linked bonds, cash. The Scheme may also make use of derivatives and contracts for

difference for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider all of these classes of investment to be suitable to the circumstances of the Scheme.

Balance between different kinds of investments

The Scheme's investment manager will hold a mix of investments which reflect the benchmark and targets which have been set by the Trustees. Within each of the two World Equity Funds, the manager will maintain a diversified portfolio of stocks through investment in pooled vehicles.

Risk

The Trustees monitor risk in two ways. As indicated above, they have set a strategic asset allocation benchmark for the Scheme. They assess risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. They also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustees provide a practical constraint on Scheme investments deviating greatly from the Trustees' intended approach by adopting a specific asset allocation benchmark and by agreeing benchmark asset allocations and tracking error requirements with L&G which are regularly monitored and rebalanced when necessary.

All of the Scheme's assets are invested with a single manager, L&G, exposing the Scheme to a degree of manager risk. The Trustees are comfortable with this risk on the basis that the funds are managed on a passive basis, which has a lower reliance on manager skill than an active manager. The Trustees monitor L&G on a regular basis in conjunction with their investment consultants.

The Trustees do not expect their manager to take excess short-term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long terms basis.

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the discount rate assumed by the Trustees in funding the Scheme.

Realisation of investments

The Scheme's investments may be realised quickly if required. The L&G funds trade weekly.

Portfolio turnover

The Trustees have expectations of the level of turnover within each fund which is determined at the inception of the fund based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expects the manager to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge their manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustees will request turnover costs incurred by the manager over the Scheme reporting year. Where possible the Trustees will compare costs to the theoretical portfolio turnover and cost for an appropriate index.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including Environmental, Social and Governance (ESG) factors, is relevant at different stages of the investment process. The Trustees have explicitly acknowledged the relevance of climate change and ESG factors in framing their investment beliefs and these are set out below:

Strategic considerations

The strategic benchmark 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.

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 however discussed the risks and impact that climate change can have on future outcomes for the Scheme's investment strategy and have invested half of the Scheme's allocation to equities in a fund that has a bias towards investing in companies that rely less on carbon reserves, incur lower carbon emissions or generate greener revenues compared with the market cap-weighted index. The manager also has discretion to remove companies from the fund that do not agree to meet future Climate Impact Pledge objectives. The Trustees have also 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 and opportunities for the Scheme's investments.

Selecting investment managers

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.

Consideration of non-financially material factors in investment arrangements

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.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with the investment manager and the monitoring of compliance with agreed policies and has set responsible investment priorities.

Responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where the manager is responsible for investing in new issuance, the Trustees expect the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Scheme and its investments and ensures that their manager has an appropriate conflicts of interest policy in place. The manager is required to disclose any potential or actual conflict of interest to the Trustees.

Voting and engagement

The Trustees have adopted a policy of delegating voting decisions on stocks to their investment manager on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustees have reviewed the voting policies of their investment manager and determined that these policies are appropriate. On at least an annual basis, the Trustees request their investment manager to

provide details of any change in their house policy. Where appropriate, the Trustees engage with and may seek further information from their investment manager on how portfolios may be affected by a particular issue.

The Trustees do not engage directly but believe it is appropriate for the Scheme's investment manager to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustees review engagement activity undertaken by their investment manager as part of their broader monitoring activity.

Monitoring

The investment manager reports on voting activity to the Trustees on a periodic basis. The Trustees monitor the investment manager's voting activity and may periodically review their voting patterns. Where the Trustees deem it appropriate, any issues of concern will be raised with the investment manager for further explanation.

The Trustees meet with their investment manager on at least an annual basis. The Trustees provide their investment manager with an agenda for discussion, sometimes including issues relating to individual holdings and, where appropriate, ESG issues. The manager is challenged by the Trustees and advisors on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional voluntary contributions (AVCs)

In the period until 31 March 2013, members were able to purchase additional years' service in the Scheme by way of paying additional voluntary contributions.

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

Trustee

Name

Trustee

Name

Date

Appendix

The Scheme's overall target is to be invested 88% in matching assets and 12% in growth assets:

L&G funds and benchmark ranges

Fund	Benchmark	Central benchmark %	Benchmark range %
World Equity		12.0	+/- 3.0
Future World Fund	FTSE AW excluding Controversial Weapons, Climate Balanced (UKPN)	6.0	-
World Equity Index Fund (GBP Hedged)	FTSE World Index - GBP Hedged (excluding the advanced emerging markets)	6.0	-
Matching Assets		88.0	+/- 3.0
Maturing Buy and Maintain Funds		-	-
LDI Funds		-	-
Sterling Liquidity Fund ("SLF")		-	-
Total		100.0	

The Future World Fund is a pooled fund that aims to track a FTSE global equity index that invests more in companies that exhibit certain investment characteristics (good value, low volatility, smaller companies and high quality) whilst also combining with a bias towards companies that rely less on carbon reserves, incur lower carbon emissions or generate greener revenues compared with the market cap-weighted index. The manager also has discretion to remove companies that do not agree to meet future Climate Impact Pledge objectives.

The World Equity Index Fund (GBP Hedged) is a pooled fund that aims to track a FTSE global equity index that invests on a market cap-weighted basis, which means that it invests in companies in proportion to their value relative to the whole of the global equity market. Foreign currencies are hedged back to Sterling in the fund with the objective of removing foreign currency risk.

The Maturing Buy and Maintain Funds are pooled funds that provide exposure to a portfolio of investment grade bonds which all have expected principal payments due to be paid before the end of 2029. Foreign currencies are hedged back to Sterling in the fund with the objective of removing foreign currency risk. Income and principal is distributed monthly by the cancellation of units.

Cashflow policy

In order to help pay the Scheme's benefits, Notional Income Payments are paid to the Trustees' bank account when income from the relevant L&G funds is distributed.