

Trustees' Newsletter

The College of Law Pension and Assurance Scheme 2017

The purpose of this newsletter is to provide Members with a summary of the information contained in the Scheme Annual Report and Accounts for the period to 30 June 2017 together with other useful information.

The year in brief:

- Scheme Funding at 30 June 2017 - 110% of liabilities
- Scheme Net Assets (including annuities) of £247.0 million at 30 June 2017 up from £244.0 million at 30 June 2016.
- Total membership fell from 755 to 750.

Scheme Trustees

Employer Appointed

Derek Sloan (Chairman)
Alan Humphreys

Member Nominated

Chris Beanland
Richard Jones

Advisers

Scheme Actuary:

Simon Tidy FIA

of Legal & General Assurance Society Limited to 31/7/17,
of Deloitte Total Reward and Benefits Limited from 1/8/17

Auditor:

Moore Stephens LLP

Investment:

Hymans Robertson LLP

Legal:

Linklaters LLP

Scheme Administrator and
Scheme Secretary:

Jill Gale

Membership Profile

Active Members as 1 July 2016	8
Joiners	1
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Active Members as 30 June 2016	9
Pensioners	252
Deferred Retirements and Deferred Members with preserved pension	489
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Total Membership at 30 June 2017	750
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Notices

- 1 There have been no payments out of the Scheme's assets to the Employer (The Legal Education Foundation) nor has the Foundation at any time taken a contribution holiday.
- 2 The Pensions Regulator has not exercised any of its powers under section 231(2) of the Pensions Act 2004 in respect of the Scheme (to modify the Scheme or to give directions or impose a schedule of contributions in respect of the Scheme).
- 3 The Trustees of the Scheme regularly monitor the Scheme's funding position in conjunction with the Scheme Actuary and will continue to do so.
- 4 The Scheme's investments are all considered to be of a long term nature and are invested with a view to enabling the Scheme to meet its long term commitments.

Scheme Investments

Scheme assets are invested by the Trustees after taking advice from Hymans Robertson LLP. The investments are managed by the managers set out in the table below which indicates the types of investment for which the named manager is responsible.

During the year the holding in the Schroder Indirect Real Estate Fund was sold, holdings in Leveraged index linked Gilt funds were reduced and the holding in FTSE RAFI Global Equities Fund was reduced. £28 million of the proceeds was used to purchase a bulk annuity contract covering 53 pensions in payment and the balance of the moneys was transferred to cash.

The Trustees sold the holding in First State Emerging Market Equities Fund and reduce further the holding in FTSE RAFI Global Equities Fund in order to reduce the total fund holding in equities to 7.8% of investments including AVCs and Annuities.

During the year £1.8 million of cash was used to meet payments for benefits, transfers out of the Scheme and administration.

Since the year end the Trustees have invested £10 million of cash in the Insight Libor Plus Fund and £2.5 million in the Partners Direct Lending Fund.

Investment Managers at 30 June 2017

Manager	Asset Category
Legal & General Investment Management	Index Tracking and LDI Funds
AEGON	Additional Voluntary Contributions
Standard Life	Additional Voluntary Contributions

Compliance

The Trustees of the Scheme normally meet quarterly, together with their advisers, to consider a range of matters affecting the Scheme. As well as investment, actuarial, and financial matters, the Trustees regularly review the Statement of Investment Principles and a Statement of Funding Principles.

- Statement of Investment Principles
This sets out the principles governing decisions about investment of Scheme assets.
- Statement of Funding Principles
This sets out the approach to funding the Scheme to ensure a healthy financial position with appropriate assets to cover the Scheme's Technical Provisions.

Copies of both Statements are available on request.

Actuarial Valuations

The Scheme Actuary undertakes a full Triennial Valuation every three years. To do this, data regarding Scheme Members is analysed in detail. The latest Triennial Valuation prepared by the Scheme Actuary valued the Scheme as at 1 July 2015.

The table below shows the funding position as at 1 July 2015 based on the Triennial Valuation. In addition, the Scheme Actuary extrapolated the figures from the 1 July 2015 valuation and has used updated assumptions together with actual data, where known, to provide indicative figures as at 1 July 2016 and 1 July 2017.

Basis	1 July 2015		1 July 2016		1 July 2017	
	Funding	Surplus/ (Deficit)	Funding	Surplus/ (Deficit)	Funding	Surplus/ (Deficit)
	%	£million	%	£million	%	£million
1 On-going	109	16.1	110	21.4	110	22.8
2 FRS102	123	34.9	127	48.3	130	53.1
3 Solvency	83	(42.2)	85	(42.4)	95	(14.2)
4 Pension Protection Fund	127	42.7	139	55.7	138	67.7

1. The On-Going basis assumes that the Scheme will continue in its current form.
2. The FRS102 basis is the one used in preparing the Employer's Annual Accounts.
3. The Solvency basis looks at what the Scheme's liabilities would be if the Scheme was wound-up.
4. The Pension Protection Fund (PPF) basis looks at the compensation which the PPF would pay in the unlikely event that the Employer were to become insolvent.

Asset Allocation

30 June 2016		Investment management style and type	30 June 2017	
%	£million	Passive:	%	£million
8.6	20.8	Corporate Bonds over 15 years	8.9	22.0
Active:				
2.7	6.6	Global Emerging Markets	-	-
3.0	6.9	Property Units	-	-
Index tracking:				
23.0	56.3	All World Equities (RAFI)	7.8	19.2
Liability Driven Investment (LDI):				
5.1	12.5	Gilts	4.9	12.1
1.7	4.2	Index linked Gilts	1.9	4.6
11.7	28.5	Leveraged Gilts	6.9	17.1
10.4	25.4	Leveraged Index linked Gilts	13.4	33.0
Other:				
3.6	8.9	Cash	19.0	47.0
29.9	73.0	Annuities	36.6	90.5
0.1	0.3	AVC Policies	0.1	0.3
99.8	243.4		99.5	245.8
0.2	0.6	Net Current Assets/(liabilities)	0.5	1.2
100.0	244.0	Net Assets of Scheme	100.0	247.0

The Scheme Accounts

2016		2017
£'000		£'000
	Income	
121	Employer's Contribution	145
-	Members' Contributions*	-
121	Total Income	145
	Expenditure	
(4,330)	Pensions paid and annuities purchased from the Scheme assets	(4,045)
(776)	Transfers out and refunds	(617)
(7)	Death in Service Assurance Premium	(8)
(302)	Administration Expenses	(468)
(5,415)	Total Expenditure	(5,138)
(5,294)	Net Expenditure from the Scheme	(4,993)
3,044	Investment income	3,354
46,849	Change in Market Value of Investments	4,852
(256)	Investment management expenses	(283)
44,344	Increase in Net Assets of the Scheme during the year	2,930

These figures are extracted from the audited Annual Report and Accounts upon which an unqualified opinion was received from the Auditor. Investment income includes income from annuities used to pay pensions directly.

* All Active Members currently contribute to the Scheme via salary sacrifice.

A copy of the full annual Financial Statements can be found on The Legal Education Foundation website or via this link: www.thelegaleducationfoundation.org/pension-scheme/report-of-the-trustees-and-financial-statements

Triennial Actuarial Valuation as at 1st July 2015

The Triennial Valuation as at 1 July 2015 showed a surplus on the On-Going basis of £16.1 million and on a Solvency basis a deficit of £42.2 million.

The main changes since the previous full Triennial Actuarial Valuation are:

- Actual investment gains £25.6 million higher than assumed in last report
- Discounting rates lower and inflation higher than previously assumed giving rise to additional costs of £10 million
- Employer's contributions higher than pension accrual £34.4 million.

The Employer has also agreed with the Trustees, who had been advised by the Scheme Actuary, to make contributions at the unchanged rate of 29.8% (Employer 21.8% and employee 8%) of Active Members' pensionable salaries.

Recent Developments

i) Purchase of Annuities

The Trustees have purchased annuities when market conditions were favourable in order to pay pensions in payment. When market conditions have been less favourable the Trustees have paid pensions direct from Scheme assets. In October 2016 a further purchase of a bulk annuity contract, at a cost of £28 million to cover 53 pensions in payment, was approved by the Trustees.

Pension Accounting Rules regarding annuities now require that these are shown as part of the Net Assets of the Scheme.

ii) Current Funding Position

The Scheme Funding Position has not changed materially from 30 June 2017 up to the date of this Newsletter.

iii) Change of Administration provider

With effect from 1 August 2017 Legal & General Assurance Society Limited ("L&G") no longer provide pension administration services for the Scheme. The Trustees appointed Deloitte Total Reward and Benefits Limited ("Deloitte") to administer the Scheme from that date.

Contact details are included on the Information and Enquiries section of this newsletter.

L&G will continue to provide some pension payroll services.

The Legal Education Foundation (the Employer)

The Foundation retained sole responsibility for the Pension Scheme after it sold the education and training operation formerly trading as The College of Law on 30 November 2012. The Net Assets of the Foundation at 30 June 2017 were £250 million most of which were held as marketable securities. The activities of the Foundation are described on its website:

www.thelegaleducationfoundation.org .

Pension changes in Finance Act 2014

The Finance Act 2014 introduced new ways in which pension savings can be accessed. The changes principally affect Defined Contributions schemes but there are also additional safeguards for those seeking to transfer out of a Defined Benefit scheme.

The legislation requires that anyone seeking a transfer from a Defined Benefit scheme must seek advice from a regulated advisor, and provide evidence that they have done so, if the transfer value is more than £30,000.

The Pensions Advisory Service (contact details below) provides useful information about the changes. For queries regarding the options available in Scheme Rules please contact the Deputy Secretary.

Pension Scams

The Pensions Regulator advises that scammers may try to take advantage of the new flexibilities to target scheme members. The Pensions Regulator has published a short booklet to help avoid such scams. A link to the booklet can be found at www.thepensionregulator.gov.uk/individuals.aspx and on The Legal Education Foundation website.

External sources of Information

The Pensions Regulator: the statutory body that regulates occupational pension schemes:

Telephone: 0845 600 0707 Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

Pensions Tracing: a pension tracing service can be accessed via the GOV.UK website:

Telephone: 0345 6002 537

The Pensions Advisory Service: Members who have problems concerning their Scheme and are not satisfied with the response of the administrators or Trustees can consult with The Pensions Advisory Service. They also offer free and impartial guidance to people with workplace and personal pensions:

Telephone: 0300 123 1047 www.pensionsadvisoryservice.org.uk

Pensions Ombudsman: the Pensions Ombudsman can adjudicate between a member of a pension scheme and its trustees where there is a complaint about an injustice caused by maladministration or a dispute of fact or law.

Telephone: 020 7630 2200

Email: enquiries@pension-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Update your postal address for Scheme correspondence

The Trustees are required to keep up to date records of Members' postal addresses. To comply with this requirement we may, from time to time, make use of the services of a tracing company to confirm that we have the correct address details for groups of Members.

If you move to a new address please contact the Scheme at the following email address:

pensionsinfo@thelef.org

or in writing to:

The College of Law Pension and Assurance Scheme
Suite 2 River House
Broadford Business Park
Shalford, GU4 8EP

Lifetime Allowance

As you may know the Lifetime Allowance for pensions reduced from £1.25 million to £1.0 million with effect from 6th April 2016. The Government announced in their November 2017 Budget Statement that this would increase to £1.03 million from 6 April 2018. You will find useful links for more information below. You should take professional advice if you have any concerns.

<https://www.gov.uk/tax-on-your-private-pension>

<http://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-andtax/the-lifetime-allowance>

Information and Enquiries

If you have any queries about the Scheme or your benefits from the Scheme you should, **in the first instance**, contact Deloitte's Pensions Administration Team preferably via email at

pensionsadministration@deloitte.co.uk

Or in writing to:

Pensions Administrations Team, Deloitte Total Reward and Benefits Limited
Lincoln Building, 27-45 Great Victoria Street, Belfast, BT2 7SL

Please note that neither the Scheme nor Deloitte are able to give financial advice to Members.

The Scheme does not automatically provide annual statements to Deferred Members. However, the Scheme will provide 1 free quote in any 12 month period on request. Additional quotes can be provided for a fee (currently £198 each). Please contact Deloitte's Pension Administration Team, above, to request a quote.

Members with funds in the Scheme AVCs will automatically receive an annual quote from the AVC provider up to their Scheme retirement date.

The Trustees strongly recommend that Members wishing to take their pension early seek advice from an Independent Financial Advisor (IFA). Members wishing to take their pension before the age of 60 must make a formal request to the Trustees.

Members considering a transfer to another pension scheme will be required to consult an appropriately regulated IFA if the transfer value is above the statutory limit (currently £30,000). More information regarding these requirements will be provided when a request for a transfer value is received.

The information in this document is correct as at 12 December 2017.