

Trustees' Newsletter and Summary Funding Statement 2020

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 2020 together with other useful information.

The year in brief:

- Indicative Scheme Funding position as at 1 July 2020 - 110% of liabilities.
- Scheme Net Assets (including annuities) of £283.9 million as at 30 June 2020 up from £254.5 million as at 30 June 2019.
- Total membership fell from 733 to 724.

Scheme Trustees

Employer Appointed

Derek Sloan (Chairman)
Alan Humphreys

Member Nominated

Chris Beanland
Richard Jones

Advisers

Scheme Actuary:

Simon Tidy FIA
Deloitte Total Reward and
Benefits Limited

Scheme Administrator:

Deloitte Total Reward and
Benefits Limited

Auditor:

BDO LLP

Investment:

Hymans Robertson LLP

Legal:

Linklaters LLP

Scheme Secretary:

Jill Gale

Membership Profile

Active Members as at 1 July 2019	10
Joiners	-
Leaver	(1)
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Active Members as at 30 June 2020	9
Pensioners	278
Deferred Retirements and Deferred Members with preserved pension	437
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Total Membership as at 30 June 2020	724
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Notices

- 1 The Trustees of the Scheme regularly monitor the Scheme's funding position in conjunction with the Scheme Actuary and will continue to do so.
- 2 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.
- 3 There have been no payments out of the Scheme's assets to the Employer (The Legal Education Foundation) nor has the Employer at any time taken a contribution holiday.
- 4 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).

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 ended 30 June 2020:

- Net Assets increased by £29.4 million because of changes in the market value of holdings.
- Rebalancing of the Scheme's LDI portfolio was undertaken to bring hedge ratios into line with established targets of 100% for inflation and interest rate liabilities.
- £1 million was used to meet payments for benefits, transfers out of the Scheme and administration expenses.

£55 million of cash held in the Trustees' bank account was invested into the Legal & General Corporate Bonds Fund in July 2020 following a strategic review of the positioning of the portfolio.

Investment Managers at 30 June 2020

Manager	Asset Category
Legal & General Investment Management	LDI, Corporate Bond and Cash Funds
Insight Libor Plus Fund	Asset Backed Credit
Partners Group Multi Asset Credit Fund	Private Credit
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 the 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.

A copy of the latest Statement of Investment Principles is available on the Scheme's website, together with a copy of the Trustees' Implementation Statement. The Implementation Statement

The College of Law Pension and Assurance Scheme

is taken from the Scheme Annual Report and Accounts and sets out how certain policies under the Statement of Investment Principles have been followed. The Scheme's website is www.thelegaleducationfoundation.org and these documents are available at the bottom of the front page.

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 2018. (See also page 7)

The table below shows the funding position as at 1 July 2018 based on the Triennial Valuation. In addition, the Scheme Actuary extrapolated the figures from the 1 July 2018 valuation and has used updated assumptions together with actual data, where known, to provide indicative figures as at 1 July 2019 and 1 July 2020.

Basis	1 July 2018		1 July 2019		1 July 2020	
	Funding	Surplus/ (Deficit)	Funding	Surplus/ (Deficit)	Funding	Surplus/ (Deficit)
	%	£million	%	£million	%	£million
1 On-going	113	27.5	111	25.4	110	26.4
2 FRS102	132	59.6	130	56.2	131	63.3
3 Solvency	89	(28.9)	93	(20.5)	90	(33.0)
4 Pension Protection Fund	132	59.6	134	64.2	134	71.6

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.

Current Funding Position

The Scheme Funding Position has not changed materially from 30 June 2020 up to the date of this Newsletter.

Asset Allocation

30 June 2019		Investment management style and type	30 June 2020	
%	£million		%	£million
9.6	24.4	Passive:		
		Corporate Bonds over 15 years	9.8	27.9
		Active:		
3.9	10.0	Asset Backed Credit	3.5	10.0
4.2	10.6	Private Credit	3.7	10.4
		Liability Driven Investment (LDI):		
5.4	13.7	Gilts	4.8	13.7
2.0	5.1	Index linked Gilts	4.2	12.0
6.2	15.9	Leveraged Gilts	7.4	20.9
11.7	29.7	Leveraged Index linked Gilts	12.0	34.2
		Other:		
24.2	61.5	Cash	3.9	11.2
32.4	82.5	Annuities	31.0	87.9
0.1	0.3	AVC Policies	0.1	0.3
99.7	253.7		80.4	228.5
0.3	0.8	Net Current Assets/(liabilities)	19.6	55.4
100.0	254.5	Net Assets of Scheme	100.0	283.9

The Scheme Accounts

2019		2020
£'000		£'000
	Income	
174	Employer's Contribution	177
-	Members' Contributions*	-
174	Total Income	177
	Expenditure	
(4,513)	Pensions benefits paid from Scheme assets	(4,389)
(957)	Transfers out and refunds	(589)
(9)	Death in Service Assurance Premium	(9)
(446)	Administration Expenses	(512)
(5,925)	Total Expenditure	(5,499)
(5,751)	Net Expenditure from the Scheme	(5,322)
3,740	Investment income	4,091
7,500	Change in Market Value of Investments	30,797
(171)	Investment management expenses	(142)
5,318	Increase in Net Assets of the Scheme during the year	29,426

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.thelegaeducationfoundation.org/pension-scheme/report-of-the-trustees-and-financial-statements

Triennial Actuarial Valuation as at 1st July 2018

The Triennial Valuation as at 1 July 2018 showed a surplus on the On-Going basis of £27.5 million and on a Solvency basis a deficit of £28.9 million.

The main changes between the 1 July 2015 and the 1 July 2018 full Triennial Actuarial Valuations were:

- Asset performance £37.6 million higher than assumed in previous triennial valuation.
- Liability assumption changes, mostly financial changes resulting from a decrease in government bond yields and an increase in market implied inflation partly offset by revised demographic assumptions.

The Employer 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.

A full copy of the Triennial Valuation can be seen on the Employer's website.

Purchase of Annuities

We have mentioned in previous Newsletters that in the past the Trustees have purchased annuities when market conditions were favourable to pay pensions in payment. The most recent occasion when the Trustees did this was in 2016. These annuities are shown as part of the Net Assets of the Scheme in the Scheme's Accounts.

The Trustees purchase annuities to provide Scheme Members with greater security for their benefits and to reduce risk. There are a number of risks to which the Scheme is exposed, along with many other pension schemes, including the risks that investments perform poorly or inflation is higher than expected. The Trustees' strategy includes looking at different options for managing those risks and in recent years they have taken steps to move the Scheme's assets to investments with a value which moves similarly to the value of the benefits promised from the Scheme, or which broadly match the Scheme benefits. The purchase of insurance policies forms part of that strategy since the policies provide monthly payments to the Scheme with the intention of matching the payments out by the Scheme. This reduces the level of risk that the Scheme faces and helps to ensure the Scheme's strong funding level.

As the Scheme's funding level has improved, the Trustees are developing a plan to purchase a further insurance policy which would cover the remaining Members. The Trustees will need to be satisfied that the timing is right before proceeding and this depends on a number of factors - for example, the cost of the policy, the value of the Scheme's assets, the coverage and covenant offered by the insurer and the strength of protection offered by the insurance regime. It is difficult to predict when this might happen, but the Trustees want the preparations to be complete during 2021, so that they can take advantage of any opportunities that arise. This would represent a positive development as regards the security of Members' benefits.

The Trustees' plans do not affect the amount or timing of benefits from the Scheme, and Members do not need to take any action.

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 2019 were £259 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 Contribution 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 to another type of 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 Money and Pension Service (an organisation combining The Pensions Advisory Service, Pension Wise and the Money Advice Service) provides useful information about the changes. For queries regarding the options available in the Scheme Rules please contact the Scheme administrators, Deloitte. See the Information and Enquires section of this newsletter for contact details.

Equalisation of Guaranteed Minimum Pensions

You may have seen articles in the press recently about a case brought in relation to the Lloyds Bank pension schemes and concerning the equalisation of guaranteed minimum pensions. Please be assured that the Trustees are aware of the case and have been monitoring its development carefully alongside their legal and actuarial advisers. The Trustees are reviewing the implications for the Scheme and what actions may be required as a result of the High Court's ruling in that case.

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.thepensionsregulator.gov.uk/en/pension-scams and on the Pension Scheme section of The Legal Education Foundation website.

The Pensions Regulator recommends four simple steps that Members can take to help protect themselves from pension scams:

1. Reject unexpected pension offers whether made online, on social media or over the phone.
2. Check who you are dealing with before changing your pension arrangements. Check the ScamSmart website or call 0800 111 6768 to see if the firm you are dealing with is authorised by the FCA to give advice on pension transfers.

The College of Law Pension and Assurance Scheme

3. Do not be rushed or pressured into making any decision about your pension.
4. Consider getting impartial information and advice – in some cases it may be a requirement to do so.

External sources of Information

The Pensions Regulator: the statutory body that regulates occupational pension schemes:
Website: www.thepensionsregulator.gov.uk

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

www.gov.uk/find-pension-contact-details

Telephone: 0800 731 0193

Money & Pensions Service

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

Telephone: 0800 011 3797

Website: <https://maps.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: 0800 917 4487

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 as follows:

Deferred Members - contact Deloitte's Pensions Administration Team - details on page 10.

Pensioner Members - contact the organisation which makes your Scheme pension payments. This will be one of Aviva, Legal & General, Prudential or Deloitte depending on when your pension came into payment.

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 and then increased to £1.03 million from 6th April 2018, £1.05 million from 6th April 2019 and £1.0731 million from 6th April 2020. 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 by calling: 028 9019 5925

Provide the Scheme name or ask to speak to Steve Collins.

Or in writing to:

Pensions Administration 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 £300 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 are strongly recommended to seek advice from an appropriately regulated IFA. If the transfer is to a Scheme other than a Defined Benefit Scheme and the value is above the statutory limit (currently £30,000) there is a legal requirement for the Member to provide evidence that such advice has been obtained. More information regarding these requirements will be provided when a request for a transfer value is received.

A copy of the Scheme Rules, consolidated as at 3 October 2018, is available in the Pension Scheme section of the Employers website (www.thelegaleducationfoundation.org/pension-scheme).

The information in this document is correct as at 9 December 2020.