

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

**REPORT OF THE TRUSTEES  
AND FINANCIAL STATEMENTS OF  
THE COLLEGE OF LAW  
PENSION AND ASSURANCE SCHEME**

**FOR THE YEAR**

**ENDED**

**30 JUNE 2018**

**(SCHEME NO. - S 0310918 A)**

## THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

### CONTENTS

	Page
Trustees and advisers	2
Report of the Trustees	4
Membership Changes During the Period	10
Certification of Schedule of Contributions	11
Investment Report	12
Trustees' Responsibilities	16
Independent Auditor's Report	17
Independent Auditor's Statement about Contributions	19
Summary of Contributions paid in the year	20
Fund Account	21
Statement of Net Assets (available for benefits)	22
Notes to the Financial Statements	23

## THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

### TRUSTEES AND ADVISERS

Trustees	Mr D. Sloan (Chairman) Mr C Beanland* Mr A. S. Humphreys Mr R. G. Jones*
	*Member-nominated Trustees
Secretary to the Trustees	Ms J. Gale
Address of the Trustees (principal place of business)	Secretary to the Trustees The College of Law Pension and Assurance Scheme Suite 2, River House Broadford Business Park Shalford Guildford GU4 8EP
Principal Employer (Referred to hereafter as Employer)	The Legal Education Foundation (formerly The College of Law) Suite 2, River House Broadford Business Park Shalford Guildford GU4 8EP
Scheme Actuary	Mr S Tidy FIA Deloitte Total Reward and Benefits Limited Hill House 1, Little New Street London, EC4A 3TR (Employed by Legal & General Assurance Society Limited until 31.7.17)
Administrator	Deloitte Total Reward and Benefits Limited Hill House 1, Little New Street London, EC4A 3TR
Investment Managers	Legal & General Assurance (Pensions Management) Limited One Coleman Street London EC2R 5AA, England  Insight Investment Management (Global) Limited (from 18.10.17) 160 Queen Victoria Street London, EC4V 4LA  Partners Group (from 11.10.17) Private Markets Investment Strategies 6, Rue Eugène Ruppert L-2453 Luxembourg Luxembourg

## THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

### TRUSTEES AND ADVISERS

Investment Managers (continued)

AVC Providers

(policies to 4 September 2001)

AEGON  
Edinburgh Park  
Edinburgh EH12 9SE

(policies from 5 September 2001)

Standard Life Plc  
5 Devonshire Square  
London EC2M 4YD

Auditor

Moore Stephens LLP  
150 Aldersgate Street  
London  
EC1A 4AB

Solicitor

Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

Banker

National Westminster Bank plc  
3<sup>rd</sup> Floor, Cavell House  
2A Charing Cross Road  
London WC2H 0NN

Investment Consultants

Hymans Robertson LLP  
Actuaries and Consultants  
First Floor  
One London Wall  
London EC2Y 5EA

Annuity providers

Aviva Annuity UK Limited  
Legal & General Retirement Limited  
Prudential Annuities Limited  
Canada Life Limited

## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

The Trustees present their Report and the Financial Statements for the year ended 30 June 2018 together with an Investment Report and the Scheme Actuary's actuarial statements.

### Introduction

The Report summarises the activities of the Scheme, financial and otherwise, during the year. Further information, including the formal legal documentation, is available on request from the Secretary to the Trustees.

### Pension and Assurance Scheme

The College of Law Pension and Assurance Scheme provides defined pension and lump sum benefits payable to Members on their retirement or to their dependants on the member's death before or after retirement. Full details are in the Scheme Rules which are available to Scheme Members on request.

The Trustees have periodically carried out the bulk purchase of annuities for pensioners. At 30 June 2018 the Scheme provides 220 pensions in payment to pensioners in this way together with 43 pensions paid directly from Scheme assets.

### Legal Status

The scheme was established on 1 August 1962 and is governed by English Law and by the definitive Trust Deed and Rules dated 23<sup>rd</sup> July 1962 and subsequent amending Deeds.

Active Members were contracted-out of the additional component of the State Earnings-Related Pension Scheme (the State Second Pension from 6 April 2002) up to 5 April 2016.

The Scheme is approved by HM Revenue and Customs and consequently is registered as a tax-exempt Scheme.

The principal place of business of the Scheme is shown on page 2.

### Trustees

Trustees are appointed or removed in accordance with the Trust Deed and Rules of the Scheme. The total number of Trustees is currently four of whom two are Member-nominated, the other two being Employer-appointed. Trustees may resign from office at any time by giving not less than one month's written notice to the Employer.

During the year the Trustees met on 11 July 2017, 26 September 2017, 12 December 2017 and 20 March 2018.

A Trustee who is Member-nominated is removed only at the end of their term of office if not re-elected as a Member-nominated Trustee, or on earlier resignation. The two Member-nominated Trustees reach the end of their term in March 2019.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

Report on Actuarial Position

The most recent full On-going basis (also known as Technical Provisions basis) actuarial valuation of the Scheme was made as at 1 July 2015. This showed that the actuarial value of assets represented 109% of actuarial liabilities (the benefits which had accrued to Members, after allowing for expected increases in earnings). In arriving at this figure the following assumptions were applied:

	%
Rate of return on investments pre-retirement	4.8
Rate of return on investments post-retirement	2.8
Rate of increase in Active Members' pensionable earnings	2.4
Rate of increase in price inflation	3.2
Retail Price Index for pension increases (maximum 5%)	4.2
Retail Price Index for pension increases (maximum 2.5%)	2.5

It should be noted that it is the relationship between assumptions which is important, rather than the assumptions themselves in isolation. So, if the rate of return actually achieved on investments is less than the rate assumed, that is less significant if the rate of price inflation and/or pension increases is in turn less than the rate assumed.

The On-going basis actuarial valuation at 1 July 2015 showed a surplus in the Scheme of £16.0 million. The Employer also agreed with the Trustees, who had been advised by the Scheme Actuary, a contribution rate of 29.8% of Active Members' pensionable salaries as from 1 August 2016. Insurance premiums for lump sum death in service benefits are payable by the Employer in addition.

The Trustees regularly monitor changes in the actuarial position of the Scheme. The Scheme Actuary has extrapolated figures from the last full triennial valuation, together with actual data where known, to provide the results as at 30 June 2018 as set out below:

	30 June 2018		30 June 2017	
	Funding %	Surplus / (Deficit) £ million	Funding %	Surplus / (Deficit) £ million
On-going valuation	109	22.1	110	22.8
FRS 102 valuation	135	58.1	130	53.1
Solvency	93	(19.6)	95	(14.2)
Pension Protection Fund	139	69.9	138	67.7

Mortality assumptions used are in line with 100% of the PCMA08 tables for males and PCFA08 for females, in addition to updating future improvements to be in line with the more recent CMI 2017 projections, with a long term annual improvement trend of 1.50% for males and 1.0% for females. This assumes that a man retiring from the Scheme at age 65 will survive for 22.9 years and a woman for 24.7 years. As a result of expected improvements to mortality in the future, the future expectation of life at retirement for a member retiring at age 65 in 20 years' time would be 24.5 years for men and 25.9 years for women.

The On-going valuation basis, as referred to in the table above, most closely reflects the full triennial valuation basis.

The next full triennial valuation is taking place based on data as at 30 June 2018.

## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

### Scheme Benefits

Information on the Scheme benefits is set out in the Scheme Rules. These are available to Scheme Members on request and to Active Members on the Employer's Intranet.

In accordance with the Scheme Rules the part of each pension in payment, except for any GMP which is payable:

- That is attributable to Pensionable Service before 6 April 1997 will increase by 4% each year,
- That is attributable to Pensionable Service on and after 6 April 1997 but before 1 August 2006 will increase by a maximum of 5% each year,
- That is attributable to Pensionable Service on or after 1 August 2006 will increase by a maximum 2.5% each year.

However, no part of any pension that is attributable to Pensionable Service on or after 6 April 1997, other than the GMP element, will be increased by more than the increase in the Retail Prices Index during each 12-month period.

Where GMP is payable, the part of the GMP that is attributable to earnings for the tax year 1988-89 and subsequent tax years will increase by the percentage specified under Section 109 of the Pension Schemes Act 1993. The part attributable to any other period of the GMP will not increase.

These Rules apply to all pensions paid by the Scheme including the funded pensioner payroll paid on behalf of the Scheme by the annuity providers. The Trustees do not have power to make discretionary increases.

### Transfer Values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

### Contributions

During the year Employer normal contributions were paid in accordance with the rate recommended by the Scheme Actuary and agreed by the Trustees of 29.8% of Active Members' pensionable salaries.

All Active Members contributed at the rate of 8% by way of a salary sacrifice. All contributions were received from the Employer in respect of the Active Members.

Provision was made for Members to pay Additional Voluntary Contributions (AVCs) under arrangements with AEGON until 4 September 2001. As from that date all new AVC contributors were contracted with Standard Life. The Scheme ceased to offer new AVC facilities as from 6 April 2006 and no contributions were made by Members to AVC's after 1<sup>st</sup> September 2012.

### Membership

Total membership has decreased by a net 8 during the year to 30 June 2018. Active membership was unchanged in the year. Further details are contained on page 10.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

**Investments**

The asset allocation and investment strategy have been considered regularly at each Trustees meeting in conjunction with Hymans Robertson LLP.

In the year to 30<sup>th</sup> June 2017 the Trustees decided in principle to use £20m of assets to purchase investments in Alternative Credit. In the year to 30<sup>th</sup> June 2018, after taking advice from Hymans Robertson LLP, £10 million was invested in the Insight Libor Plus Fund and £5 million in the Partners Group Multi Asset Credit Fund in the current year. Since 30<sup>th</sup> June 2018 the remaining £5 million has been invested in the Partners Group Fund.

The Trustees took the decision in December 2017 to sell the remaining equity holdings (FTSE RAFI All World 3000 Index Fund). The £21.3 million proceeds were invested in the Legal & General Sterling Liquidity Fund prior to them being invested elsewhere as part of the long-term risk reduction strategy.

In April 2018 a number of the Legal & General LDI funds were re-leveraged as a result of increasing gilt yields and the resulting proceeds, of £8.8 million, were invested in the Legal & General Sterling Liquidity Fund.

During the year ended 30 June 2018 £2.0 million of cash was transferred from cash holdings to meet payments for benefits, transfers out of the Scheme and administration expenses.

The table in Note 9 summarises the above transactions.

The allocation of investments at the year-end (excluding AVCs and Annuities) was as follows:

	Actual at 30 June 2018 %	Actual at 30 June 2017 %
<b>Index tracking funds with Legal &amp; General</b>		
All World Equities	-	12.4
Bonds	13.9	14.2
Gilt Funds	8.0	7.8
Index-Linked Gilt Funds	2.9	2.9
Leveraged Gilt Funds	8.4	11.0
Leveraged Index-Linked Gilt funds	19.4	21.3
	<u>52.6</u>	<u>69.6</u>
<b>Non-Index Tracking Funds</b>		
Insight Investments Libor Plus Fund	6.3	-
Partners Group Multi Asset Credit	3.2	-
Cash*	37.9	30.4
	<u>47.4</u>	<u>30.4</u>
<b>Total</b>	<u>100.0</u>	<u>100.0</u>

\*This does not include cash of £872k (2017: £1,292k) held in the Trustee bank account

The Trustees have made no employer-related investment during the year.

The Trustees maintain a Statement of Investment Principles and a copy is available to Scheme Members on request and to Active Members on the Employer's Intranet. It is the Trustees' policy to use the investment managers' preferred custodians.



## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

### Social, Environmental and Ethical Considerations

The Trustees understand that social, environmental and ethical and governance considerations are among the factors which the investment managers will take into account when considering voting intentions at Company Annual General Meetings.

### Exercise of Voting Rights

Where relevant the Trustees have delegated the exercise of voting rights to the Investment Managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The Trustees receive regular reports from the Investment Manager on the exercise of voting rights.

### Financial Position of the Scheme

The financial statements included in the annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

The Scheme's audited financial statements for the year ended 30 June 2018 are on pages 21 to 31. The value of the Scheme's net assets at the year-end was £249,174k as shown on page 22. The Scheme's invested assets (excluding the AVC funds and annuities) were invested with Legal & General Assurance (Pensions Management) Limited, Insight Investment Management and Partners Group as described in the investment report on pages 12 to 15. The AVC funds are separately invested as requested by individual Scheme Members through either AEGON or Standard Life.

The value of annuities purchased in the Scheme's name to secure full benefits in respect of certain pensions in payment has been included at the present value of the related obligations as required by the Financial Reporting Standard 102. Note 2 provides information on the accounting policy for the valuation of these annuities.

The Scheme's investments are invested in accordance with the Statement of Investment Principles as required under the Pensions Act 1995.

### Matters relating to the Scheme's auditors

A resolution to reappoint Moore Stephens LLP as auditor was passed at the 11 July 2017 Trustees meeting.

### Post Balance Sheet Event

On 1<sup>st</sup> September 2018, the administration of the unfunded pensioner payroll for the Scheme was transferred from Legal & General Assurance Society Limited to Deloitte Total Reward and Benefits Limited.

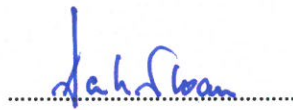
**REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018**

**Queries and complaints**

Any queries about the Scheme or any complaint should be made in writing to the Secretary to the Trustees at the address shown on page 2 or by email to [pensionsinfo@thelef.org](mailto:pensionsinfo@thelef.org).

Any complaint will be dealt with in accordance with the Scheme's Internal Dispute Resolution Procedure.

Signed on behalf of the Trustees



Trustee



Trustee

Date: 11 December 2018

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

MEMBERSHIP CHANGES DURING THE YEAR ENDED 30 JUNE 2018

	Year to 30 June 2018	Year to 30 June 2017
<b>Active membership at 1 July</b>	9	8
New Members	-	1
	<hr/>	<hr/>
<b>Active membership at 30 June</b>	<b>9</b>	<b>9</b>
<b>Pensioners</b>	<b>263</b>	<b>252</b>
Deferred retirements with preserved pension	20	16
Deferred Members with preserved pension	<hr/> 450	<hr/> 473
<b>Total Deferred membership</b>	<b>470</b>	<b>489</b>
	<hr/>	<hr/>
<b>Total membership at 30 June</b>	<b>742</b>	<b>750</b>

Pensioners include 220 (2017: 225) Members whose benefits are fully provided through annuities.

Pensioner numbers increased by a net 11 in the year (16 retirements and 5 deaths). Deferred member numbers reduced by 19 in the year. This is due to 16 Members taking their pension and 3 transfers out of the scheme.

There are 6 (2017: 3) life assurance only Members in addition to the 9 (2017: 9) active Members as at 30 June 2018.

**The College of Law Pension and Assurance Scheme  
Certification of Schedule of Contributions**

**Scheme:**           **The College of Law Pension and Assurance Scheme**

**Adequacy of rates of contributions**

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective can continue to be met for the period in which the Schedule is to be in force.

**Adherence to Statement of Funding Principles**

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Simon Tidy FIA

Legal & General Assurance Society Limited  
Legal & General House  
Kingswood  
Tadworth  
Surrey KT20 6EU

30 September 2016

## INVESTMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

### Economic overview

It should be noted that this report on the Economic overview has been provided to the Scheme by Legal & General to cover the year ended 30 June 2018. Economic conditions may have changed between 30 June 2018 and the date of the signing of the Report of the Trustees and Financial Statements.

The global economic background has improved over the past twelve months, led by a solid growth in the major developed economies although recent indicators suggest there has been some loss of momentum, particularly in Europe. Despite a rise in commodity prices, with the oil price (Brent crude) recovering to \$79/barrel in May – its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards.

In the US, economic activity remains in good shape underpinned by improving consumer and business sentiment, a strong labour market and a recovery in the energy sector. The Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy, raising interest rates three times over the last twelve months. The Fed also began unwinding its asset purchase programme, known as quantitative easing (QE), in October. In December, Congress approved the Trump administration's tax reforms which include a cut in the main rate of corporation tax from 35% to 21%.

The Eurozone economy grew at its fastest pace for a decade in 2017 although there was some loss of momentum during the first quarter of 2018 with a slowdown in Germany and France – the region's two largest economies. The European Central Bank (ECB) announced it would cease its monthly asset purchase programme by the end of 2018. With inflation remaining subdued the ECB has signalled interest rates are unlikely to be increased for the foreseeable future.

In the UK, both economic and political uncertainty have heightened over the last 12 months, with precariousness as to the outcome of the UK government's strategy on Brexit and the implications for trade with the EU. The UK economy grew at its slowest pace for six years during the first quarter of 2018. The Bank of England voted to increase interest rates to 0.5% in November, removing the emergency support announced in August 2016 in the wake of the EU referendum but shelved plans for an additional rate hike in May.

Looking at the Asian economies, Japan recorded eight consecutive quarters of growth as monetary policy has remained loose, although the economy contracted during the first quarter of 2018 as an unexpected decline in household consumption offset a rise in business spending. The Chinese authorities have adopted a range of policy initiatives to facilitate the economy's transition from export and investment-driven growth towards consumption and services, while tightening regulation of shadow banking and encouraging debt reduction in the broader economy. Recent Chinese economic indicators suggest year-on-year growth remains in line with the government's 6.5% target.

Amongst other emerging economies, Brazil saw a turn in fortunes after a 2-year recession ended in 2017 while Russia has recorded its sixth consecutive quarter of growth, given the boost of a recovery in commodity markets.

### Bonds

Returns from bond markets have been disappointing over the last 12 months, although a marked rise in equity market volatility in early 2018 highlighted the 'safe haven' appeal of government bonds. In the US, investors have discounted Fed rate hikes and looser fiscal policy. In the UK, inflation peaked at over 3% in November and declined towards the Bank of England's (BoE) 2 per cent target. As a result, index-linked gilts marginally underperformed conventional securities. The Bank's decision to add high quality corporate

bonds to its QE programme sparked an upsurge in new issuance in the sterling-denominated market in 2017. However corporate bonds underperformed gilts on concerns about weaker UK economic growth.

Currency-adjusted returns from emerging bond markets have been disappointing. Issuance levels in emerging bond markets have been high as both sovereign and corporate borrowers have looked to attract international investors. However, several emerging economies with relatively high debt levels and current account deficits came under increased scrutiny, with ratings downgrades for Brazil, Turkey and South Africa. In recent months, market volatility has risen on concerns that the Federal Reserve may be required to raise US interest rates more rapidly than anticipated, while escalating trade tensions between the US and China have also unsettled investors.

### Performance Summary (Net of Fees)

	Legal & General				Total Fund
	FTSE RAFI All World 3000 Index Fund	LDI	Multi asset	Insight	
<b>12 months Absolute</b>	<b>10.7</b>	<b>6.2</b>	<b>0.4</b>	<b>1.1</b>	<b>4.2</b>
12 months Benchmark	10.7	6.2	0.2	0.4	4.1
<b>3 years Absolute</b>	<b>18.1</b>	<b>19.8</b>	<b>5.4</b>	<b>n/a</b>	<b>12.6</b>
3 years Benchmark	18.4	19.8	5.2	n/a	12.5
<b>5 years Absolute</b>	<b>15.8</b>	<b>25.5</b>	<b>5.7</b>	<b>n/a</b>	<b>12.8</b>
5 years Benchmark	16.1	25.5	5.5	n/a	12.7

L&G multi asset includes the performance of the corporate bonds and the sterling liquidity fund, as well as the historical performance of the regional equity funds to 16 January 2015. The total performance includes the cash held in the sterling liquidity fund. The total fund benchmark performance has been weighted by actual asset allocation at the start of the quarter. The 5-year time-period for the LDI mandate shows performance of the Fund from inception on 16 June 2014 to 30 June 2018. For LDI there is no formal benchmark. We have therefore taken the benchmark as being equal to actual performance. The 12-month time-period for the LIBOR Plus mandate shows performance of the fund from inception on 23 October 2017 to 30 June 2018.

Due to the nature of the Partners Group fund, and the changing NAV over time, chain-linked performance can produce results which are not representative of how the fund has actually performed, therefore the manager does not provide performance figures.

## Performance of Individual Funds

### 1. Legal & General

The Scheme's assets managed by Legal & General Investment Management (LGIM) and are invested in an insurance policy through Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent external pricing sources. The assets underlying the units are held by independent corporate custodians who are regularly reviewed by external auditors.

Changes to the distribution of the funds (which are sections within the policy) are made in accordance with instructions given by the Trustees.

The values of the units held under the Policy at the beginning and end of the reporting year, on a bid price basis, were:

	Valuation and Distribution 30 June 2018			Valuation and Distribution 30 June 2017		
	£000s	% of L&G holdings	% of total investment assets	£000s	% of L&G holdings	% of total investment assets
FTSE RAFI All World 3000 Index Fund	-	-	-	19,235	12.4	12.4
AAA-AA-A Bonds-Over 15Y Index	22,138	15.4	13.9	22,028	14.2	14.2
Cash Fund	60,346	41.9	37.9	46,964	30.3	30.3
LDI Mandate Gilt funds:						
Gilt Funds	12,728	8.8	8.0	12,106	7.8	7.8
Index-linked Gilt funds	4,649	3.2	2.9	4,545	2.9	2.9
Leveraged Gilt Funds	13,449	9.3	8.4	17,124	11.1	11.1
Leveraged Index-linked Gilt Funds	30,852	21.4	19.4	32,989	21.3	21.3
<b>Total Assets</b>	<b>144,162</b>	<b>100.0</b>	<b>90.5</b>	<b>154,991</b>	<b>100.0</b>	<b>100.0</b>

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days.

The investment portfolio has been passively managed, with the exception of the cash fund which is actively managed, within a range of LGIM's index tracking funds. Each index tracking fund in which the Scheme invests should track the total return (capital plus income combined) of its relevant market index within the specified tolerances. For each leveraged gilt or index-linked gilt fund in which the Scheme invests, LGIM aims to operate within the leveraged multiple limits specified by the manager. The Cash Fund aims to match the median return of similar cash funds as measured by the Russell/Mellon CAPS Pooled Pension Fund Survey, without incurring excessive risk.

**2. Insight Investments**

The value of units held in the Insight Libor Plus Fund at 30 June 2018 was £9,978k (2017 £nil). The investments were purchased in October 2017 at a cost of £10 million.

The value of units represented 4.0% of the total net assets of the scheme at 30 June 2018.

**3. Partners Group**

The value of the units held in the Partners Group Private Markets Credit Strategies Multi Asset Credit Fund 2017 at 30 June 2018 was £5,077k (2017 £nil). The investments were purchased in 3 tranches between October 2017 and April 2018 at a cost of £5 million.

A total commitment of £10m has been made with the remaining £5m being called by 12/10/18.

The value of units represented 2.0% of the total net assets of the scheme at 30 June 2018.



## TRUSTEES' RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustees. Pension Scheme regulations require the Trustees to make available to Scheme Members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised 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 monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. If 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.

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.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

### Opinion

We have audited the financial statements of The College of Law Pension and Assurance Scheme (the 'Scheme') for the year ended 30 June 2018 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and 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 FRS 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 state of the financial transactions of the Scheme during the year ended 30 June 2018, 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 Pensions 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 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 audit opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### 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, 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

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

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 Trustees' responsibilities Statement set out on page 16, the Trustees are responsible for the preparation of the financial statements and 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 liquidate the Scheme or to cease operations, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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

*Moore Stephens LLP*

**Moore Stephens LLP**  
Chartered Accountants  
Statutory Auditor  
150 Aldersgate Street  
London EC1A 4AB

*11 December 2018*

## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

We have examined the summary of contributions to The College of Law Pension and Life Assurance Scheme for the Scheme year ended 30 June 2018 which is set out in the trustees' report on page 20. In our opinion contributions for the Scheme year ended 30 June 2018 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 30 September 2016.

### Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient 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 amount of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

### Respective responsibilities of Trustees and the auditor

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 showing 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.

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 report

This report is made solely to the Trustees, as a body, in accordance with Regulation 4 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 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 and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*Moore Stephens LLP*

**Moore Stephens LLP**  
Chartered Accountants  
Statutory Auditor  
150 Aldersgate Street  
London EC1A 4AB

*11 December 2018*

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

**SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR ENDED 30 JUNE 2018**

During the year, the contributions paid to the Scheme by the Employer, and Employees by way of salary sacrifice, under the schedule of contributions were as follows:

	£000s
Employer normal contributions	160
<b>Contributions payable under the schedule of contributions</b>	<u>160</u>

Signed on behalf of the Trustees:

  
.....  
Trustee

  
.....  
Trustee

Date: 11 December 2018

## FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2018

		Year ended 30 June 2018	Year ended 30 June 2017
	Note	£000s	£000s
<b>Contributions &amp; Benefits</b>			
Employer Contributions	3	160	145
		<u>160</u>	<u>145</u>
Benefits	4	4,359	4,045
Payments to and on account of leavers	5	1,185	617
Other payments	6	9	8
Administrative expenses	7	432	468
		<u>5,985</u>	<u>5,138</u>
<b>Net withdrawals from dealings with Members</b>		<b>(5,825)</b>	<b>(4,993)</b>
<b>Returns on investments</b>			
Investment income	8	3,630	3,354
Change in market value of investments	9	4,616	4,852
Investment management expenses	10	(209)	(283)
<b>Net returns on investments</b>		<u><b>8,037</b></u>	<u><b>7,929</b></u>
<b>Net increase in the fund during the period</b>		<b>2,212</b>	<b>2,930</b>
<b>Net assets of the Scheme</b>			
At 1 July		246,962	244,032
At 30 June		<u><b>249,174</b></u>	<u><b>246,962</b></u>


The notes on pages 23 to 31 form part of the financial statements.

**STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 30 JUNE 2018**

		Year ended 30 June 2018	Period ended 30 June 2017
	Note	£000s	£000s
<b>Investment assets</b>			
Pooled Investment Vehicles	9	159,217	154,991
Insurance policies	9	88,866	90,483
AVCs	9	323	316
		<u>248,406</u>	<u>245,790</u>
<b>Net current assets</b>	<b>11</b>	<b>768</b>	<b>1,172</b>
<b>Net assets of the Scheme at 30 June</b>		<u><b>249,174</b></u>	<u><b>246,962</b></u>

The financial statements summarise the transactions of the Scheme and deal with net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other 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 statements by the Scheme Actuary on page 11 and the Report on Actuarial Position on page 5, and these financial statements should be read in conjunction with them.

The financial statements were approved and authorised for issue by the Trustees and were signed on their behalf on 11 December 2018.

  
 .....  
 Trustee

  
 .....  
 Trustee

The notes on pages 23 to 31 form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**1. Statement of Compliance**

These Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014).

The functional currency of the Scheme is Sterling.

**2. Summary of significant Accounting Policies**

**Contributions and benefits**

Contributions and benefits are accounted for in the period in which they fall due. All Active Members contributed by way of a salary sacrifice.

**Pensions**

Pensions payable including pensions funded by annuity contracts are accounted for in the period to which they relate.

**Transfers from and to other Schemes**

Transfers to other Schemes are included on the basis of cash payments. The Trustees do not accept transfers in.

**Administrative expenses**

Administrative expenses are accounted for on an accruals basis.

**Investment income**

Investment income includes interest from cash and income arising on the Scheme's investments in respect of Property Units (2017 only) and Insight Investments (2018 only). The income from Property Units and Insight Investments is recognised as attributable to the Scheme.

Interest from cash is included on an accruals basis.

Income from annuities, whether received directly by the Scheme from annuity providers or used by the annuity provider to make pension payments, is accounted for through the fund account as investment income with the associated pension payment accounted for as a benefit payable.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**Valuation of assets**

The assets of the Scheme at the year-end were invested with Legal & General Assurance (Pensions Management) Limited, Insight Investment Management (Global) Limited and Partners Group. They were valued at the bid or single price value as at 30 June 2018.

The change in 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.

Transaction costs are included in the cost of purchases and sales proceeds. The amount of indirect costs is not separately provided to the Scheme.

Annuities purchased to secure specific benefits for the remaining lives of retired Members are included in these Financial Statements at the amount of the related obligation determined using a solvency basis. The valuation was carried out on behalf of the Scheme by the Scheme Actuary. See note 9. It is recognised that the annuities remain assets of the Scheme and under certain circumstances in the future the Trustees could direct that the income arising should be paid to the Scheme rather than direct to pensioners.

**3. Contributions**

	2018 £000s	2017 £000s
Employer - Normal	<u>160</u>	<u>145</u>

As the Scheme was in surplus at the last valuation no deficit contributions are required in the year to 30 June 2019. No refunds have been made to the Employer during the year.

**4. Benefits**

	2018 £000s	2017 £000s
Pensions	3,779	3,793
Commutations and lump sum retirement benefits	580	252
	<u>4,359</u>	<u>4,045</u>

The Pensions total above of £3,779k (2017: £3,793k) includes pensions paid directly to pensioners by annuity providers. The value of pensions paid in this way were as follows:

	2018 £000s	2017 £000s
Aviva Annuity UK Limited	2,466	2,209
Legal & General Retirement Limited	542	555
Prudential Annuities Limited	407	453
Canada Life	74	76
	<u>3,489</u>	<u>3,293</u>

The remaining £290k (2017: £500k) of pensions were paid from Scheme funds and not by annuity providers.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

<b>5. Payments to and on account of leavers</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Individual transfers to other Schemes	1,185	617
	<u>1,185</u>	<u>617</u>
<b>6. Other payments</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Premiums on term insurance policies (active member's life assurance and widows and dependants liability cover)	9	8
	<u>9</u>	<u>8</u>
<b>7. Administrative expenses</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Legal and Professional fees	320	342
Administration & processing	65	79
Actuarial fees	32	32
Trustees fees - Chairman	15	15
	<u>432</u>	<u>468</u>
<b>8. Investment income</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Interest on cash deposits	1	1
Income from pooled investment vehicles	140	60
Annuity income	3,489	3,293
	<u>3,630</u>	<u>3,354</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9. Investments

	Value at 1 July 2017	Purchases at cost	Sales proceeds	Change in market value	Value at 30 June 2018
	£000s	£000s	£000s	£000s	£000s
<b>Pooled Investment Vehicles</b>					
Equities	19,235	-	(21,326)	2,091	-
Gilts and Bonds	88,793	-	(8,842)	3,865	83,816
Cash	46,963	31,168	(18,000)	215	60,346
Asset Backed Credit	-	10,000	-	(22)	9,978
Private Credit	-	5,000	-	77	5,077
	<b>154,991</b>	<b>46,168</b>	<b>(48,168)</b>	<b>6,226</b>	<b>159,217</b>
Insurance policies	90,483	-	-	(1,617)	88,866
AVC investments	316	-	-	7	323
	<b>245,790</b>	<b>46,168</b>	<b>(48,168)</b>	<b>4,616</b>	<b>248,406</b>

Details of the country in which the companies operating the pooled investment vehicles are registered are shown on pages 2 and 3.

The value of the pooled investment vehicles by fund manager is set out below:

	Value at 1 July 2017	Purchases at cost	Disposals	Change in Market value	Value at 30 June 2018
	£000s	£000s	£000s	£000s	£000s
Insight Investments	-	10,000	-	(22)	9,978
Legal & General Partners Group	154,991	31,168	(48,168)	6,171	144,162
	-	5,000	-	77	5,077
	<b>154,991</b>	<b>46,168</b>	<b>(48,168)</b>	<b>6,226</b>	<b>159,217</b>

**AVC investments**

The Trustees hold assets, which are separately invested from the main fund, in the form of individual insurance policies. These secure additional benefits, on a money purchase basis, for those Members who have elected to pay Additional Voluntary Contributions.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Annuities**

Annuities have been purchased to secure full benefits of a number of those Members who first took their pension prior to 30 June 2016.

**Concentration of investments**

The following funds represent more than 5% of the Net Assets of the Scheme at the year-end:

	<b>2018</b>	<b>2017</b>
	%	%
Insurance policies	35.7	36.6
FTSE RAFI All World 3000 Index Fund	-	7.8
Gilt Funds	5.1	3.8
Leveraged Gilt Funds	5.4	6.9
Leveraged Index-linked Gilt Funds	12.4	13.4
AAA-AA-A Bonds-Over 15Y Index	8.9	8.9
Cash Fund	24.2	3.6

**10. Investment management expenses**

	<b>2018</b>	<b>2017</b>
	£000s	£000s
Administration, management and custody	<u>209</u>	<u>283</u>

**11. Net current assets**

	<b>2018</b>	<b>2017</b>
	£000s	£000s
<b>Current assets</b>		
Bank account	872	1,292
Sundry debtors	14	97
	<u>886</u>	<u>1,389</u>
<b>Current liabilities</b>		
Sundry creditors	(106)	(217)
Unpaid benefits	(12)	-
<b>Net current assets</b>	<u>768</u>	<u>1,172</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**12. Investment Fair Value Hierarchy**

In March 2016, the Financial Reporting Council published amendments to FRS102, revising the disclosure requirements for financial institutions and retirement benefits plans for accounting periods beginning on or after 1 January 2017. Therefore, the Scheme's investment assets have been fair valued using the following fair value hierarchy:

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

For the purposes of this analysis daily and weekly priced funds have been included in Level 1, monthly net asset values for Property funds in Level 2 and monthly net asset values for Insurance policies in Level 3.

**Values as at 30.6.18**

<b>Category</b>	<b>Level 1 £000s</b>	<b>Level 2 £000s</b>	<b>Level 3 £000s</b>	<b>Total £000s</b>
Pooled investment vehicles:				
Legal & General	-	144,162	-	<b>144,162</b>
Insight Investments	-	9,978	-	<b>9,978</b>
Partners Group	-	-	5,077	<b>5,077</b>
Insurance policies	-	-	88,866	<b>88,866</b>
AVC investments	-	-	323	<b>323</b>
	<b>-</b>	<b>154,140</b>	<b>94,266</b>	<b>248,406</b>

**Values as at 30.6.17**

<b>Category</b>	<b>Level 1 £000s</b>	<b>Level 2 £000s</b>	<b>Level 3 £000s</b>	<b>Total £000s</b>
Pooled investment vehicles:				
Legal & General	-	154,991	-	<b>154,991</b>
Insurance policies	-	-	90,483	<b>90,483</b>
AVC investments	-	-	316	<b>316</b>
	<b>-</b>	<b>154,991</b>	<b>90,799</b>	<b>245,790</b>

**13. Investment Risks**

The Accounting Standard FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are defined by FRS 102 as follows:

**Credit risk:** this 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this 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:** this 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:** this 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 Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustees' Report. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolios.

Further information on the Trustees' approach to risk management and the Scheme's exposures to credit and market risks are set out below.

This does not include AVC investments as they are not considered significant in relation to the overall investment of the Scheme. However, the Trustees review the credit rating of the AVC providers at each meeting.

The types of risk that the pooled investment vehicles are exposed to are as follows:

	Credit risk	Interest risk	Currency risk	Other Price risk
<b>Legal &amp; General</b>				
FTSE RAFI All World 3000 Index Fund	Y		Y	Y
AAA-AA-A Bonds-Over 15Y Index	Y	Y		
Cash Fund	Y	Y		
LDI Mandate Gilt funds:				
Gilt Funds	Y	Y		
Index-linked Gilt funds	Y	Y		Y
Leveraged Gilt Funds	Y	Y		
Leveraged Index-linked Gilt Funds	Y	Y		Y
<b>Insight Libor Plus Fund</b>	Y	Y	Y	
<b>Partners Group Private Markets Credit Strategies (Multi asset credit 2017)</b>	Y	Y	Y	Y

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In value terms these can be summarised as follows for the current and prior year:

<b>Values as at 30.6.18</b>	<b>Credit risk</b>	<b>Interest risk</b>	<b>Currency risk</b>	<b>Other</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s
Legal & General	144,162	144,162	-	35,501	<b>144,162</b>
Insight Investments	9,978	9,978	9,978	-	<b>9,978</b>
Partners Group	5,077	5,077	5,077	5,077	<b>5,077</b>
Insurance policies	88,866	-	-	-	<b>88,866</b>
	<b>248,083</b>	<b>159,217</b>	<b>15,055</b>	<b>40,578</b>	<b>248,083</b>

<b>Values as at 30.6.17</b>	<b>Credit risk</b>	<b>Interest risk</b>	<b>Currency risk</b>	<b>Other</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s
Legal & General	154,991	135,756	19,235	56,769	<b>154,991</b>
Insurance policies	90,483	-	-	-	<b>90,483</b>
	<b>245,474</b>	<b>135,756</b>	<b>19,235</b>	<b>56,769</b>	<b>245,474</b>

**Credit risk**

The Scheme is subject to credit risk as the Scheme invests in pooled investment vehicles and has cash balances and insurance policies with a number of providers. It is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Cash held directly by the Scheme is held in a banking institution which is a UK clearing bank which is significantly Government owned.

Direct credit risk arising from the pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring fenced from the pool manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

Pooled investment arrangements used by the Scheme comprise open ended pooled funds.

Indirect credit risk arises in relation to underlying investments in Sterling bond and gilt investment vehicles. This risk is mitigated by only investing in pooled corporate bond funds which invest in only AAA-AA-A rated bonds and also in UK Government Gilts where the credit risk is minimal.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Interest risk**

Interest rate risk is present in the Bond and Cash funds however this is partly mitigated by the holdings in the Liability Driven Investment Mandate funds. LDI holdings are intended to hedge approximately 90% of the inflation and interest rate risk of the overall investments as part of the Scheme's Investment Strategy.

**Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled equity investment vehicles. The Trustees accept the currency risk as part of the overall strategy and diversification of the fund.

**Other Price Risks**

The Scheme was exposed to indirect price risk due to its holdings, through pooled Investment Vehicles, in equities (FTSE RAFI All World 3000 Index Fund) until 10<sup>th</sup> January 2018. However, the Trustees accepted the increased risk of price volatility on equity investments as being justified by greater expected medium term returns than other asset categories up to that date.

**Insurance policies (annuities)**

The Trustees have purchased annuities when market conditions are favourable in order to pay pensions in payment. Such policies are subject to credit risk therefore the Trustees carry out due diligence checks before purchasing additional insurance policies and ensure that the Insurers are regulated by the FSA.

The Trustees also review the credit rating of Legal & General and the other main annuity provider, Aviva at each meeting.

**14. Related party transactions**

Of the five (2017: five) people who were Trustees during all or part of the year three, Mr C Beanland, Mr A.S. Humphreys and Mr R Jones, are Members of the Scheme. All benefits and transactions with them during the year have been in accordance with the Scheme Rules.

A fee paid to the Chairman is disclosed in note 7.

**15. Contractual commitments**

At 30 June 2018 the Scheme had undrawn commitments to fund the Partners Group Private Markets Credit Strategies Multi Asset Credit fund amounting to £5,000,000 (2017: £0).