

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 2019

(SCHEME NO. - S 0310918 A)

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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
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 160 Queen Victoria Street London, EC4V 4LA Partners Group Private Markets Investment Strategies 6, Rue Eugène Ruppert L-2453 Luxembourg Luxembourg

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 (until 1 February 2019)
150, Aldersgate Street
London, EC1A 4AB

BDO LLP (from 1 February 2019)
31 Chertsey Street
Guildford
Surrey, GU1 4HD

Solicitor

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Banker

National Westminster Bank plc
3rd 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 2019

The Trustees present their Report and the Financial Statements for the year ended 30 June 2019 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 on The Legal Education Foundation (Employers) website and also to Scheme Members on request to the Secretary.

The Trustees have periodically carried out the bulk purchase of annuities for pensioners. At 30 June 2019 the Scheme provides 220 pensions in payment to pensioners in this way together with 54 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 23rd 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 2018, 25 September 2018, 11 December 2018 and 27 March 2019.

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 reached the end of their term in March 2019 and were re-elected for a further three years.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2019

Report on Actuarial Position

The most recent full actuarial valuation of the Scheme on an On-going basis (also known as Technical Provisions basis) was made as at 1 July 2018. This showed a surplus in the Scheme of £27.5 million, with the value of the assets representing 113% of the actuarial value of the 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 and post retirement	set by reference to the Bank of England gilt yield curve at each liability duration. The yield at each duration is adjusted upwards by 0.6% to take account of the additional returns expected from the Scheme's assets
Rate of increase in Active Members' pensionable earnings	Set at RPI inflation minus 0.8% pa subject to a maximum of 2.5% pa.
Rate of increase in price inflation (RPI)	set by reference to the Bank of England implied inflation curve at each liability duration. A deduction of 0.25% is made to allow for an Inflation Risk Premium.
Retail Price Index for pension increases (maximum 5%)	based on RPI assumption subject to a maximum of 5.0%. An addition of 1.0% is made as an allowance for the cost of buying in pensioners
Retail Price Index for pension increases (maximum 2.5%)	based on RPI assumption subject to a maximum of 2.5%. An addition of 1.0% is made as an allowance for the cost of buying in pensioners

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 Employer 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 July 2019.

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 2019 as set out below:

	30 June 2019		30 June 2018	
	Funding %	Surplus / (Deficit) £ million	Funding %	Surplus / (Deficit) £ million
On-going valuation	111	25.4	113	27.5
FRS 102 valuation	130	56.2	132	59.6
Solvency	93	(20.5)	89	(28.9)
Pension Protection Fund	134	64.2	132	59.6

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 22.4 years and a woman for 24.3 years. As a result of

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2019

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 24.0 years for men and 25.4 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 will take place based on data as at 30 June 2021.

Scheme Benefits

Information on the Scheme benefits is set out in the Scheme Rules.

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 of the GMP attributable to any other period 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.

GMP Equalisation

The latest estimate for GMP equalisation as at 1 July 2019 is an increase in Scheme liabilities of £699k and is allowed for in the above estimate of the actuarial position as at 30th June 2019.

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 with the Employer contributing the remaining 21.8%. 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

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2019

Standard Life. The Scheme ceased to offer new AVC facilities as from 6 April 2006 and no contributions were made by Members to AVCs after 1st September 2012.

Membership

Total membership has decreased by a net 6 during the year to 30 June 2019. Active membership increased by a net 1 in the year. Further details are contained on page 10.

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 30th June 2019, as previously agreed, the Trustees invested a further £5 million in the Partners Group Multi Asset Credit Fund.

During the year ended 30 June 2019 £2.25 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 2019 %	Actual at 30 June 2018 %
Index tracking funds with Legal & General		
Bonds	14.3	13.9
Gilt Funds	8.0	8.0
Index-Linked Gilt Funds	3.0	2.9
Leveraged Gilt Funds	9.3	8.4
Leveraged Index-Linked Gilt funds	17.4	19.4
	<hr/> 52.0	<hr/> 52.6
Non-Index Tracking Funds		
Insight Investments Libor Plus Fund	5.8	6.3
Partners Group Multi Asset Credit	6.2	3.2
Cash*	36.0	37.9
	<hr/> 48.0	<hr/> 47.4
Total	<hr/> 100.0	<hr/> 100.0

*This does not include cash of £840k (2018: £872k) 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 on The Legal Education Foundation (Employers) website and also to Scheme Members on request to the Secretary. It is the Trustees' policy to use the investment managers' preferred custodians.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2019

Social, Environmental and Ethical Considerations

The Trustees recognise that they have a legal duty to take account of financially material factors, which may include environmental, social and corporate governance (“ESG”) factors including climate change when choosing, holding or realising investments. The Trustees take account of financially material factors over the period for which the Trustees expect investments to be required to fund future benefits. As part of this, the Trustees acknowledge that ESG factors may be relevant at different stages of the investment process

The Investment Managers appointed by the Trustees subscribe to United Nations Principles for Responsible Investment (UNPRI). The Trustees believe that subscribing to UNPRI is an effective way to demonstrate compliance with ESG principles. As part of any future manager selection, the Trustees will consider whether managers subscribe to UNPRI principles.

Exercise of Voting Rights

The Trustees recognise that stewardship encompasses the exercise of rights (including voting rights), attaching to the Scheme’s investments, engagement with investment managers and the monitoring of compliance by investment managers with their own stewardship policies.

The Trustees have adopted a policy of delegating voting decisions on stocks to their 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 investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where appropriate, the Trustees will engage with and may seek further information from their investment managers on how portfolios may be affected by a particular issue.

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 2019 are on pages 21 to 32. The value of the Scheme’s net assets at the year-end was £254,492k 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.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 2019

Matters relating to the Scheme's auditors

A resolution to reappoint Moore Stephens LLP as auditor was passed at the 11 July 2018 Trustees meeting. In February 2019 Moore Stephens LLP merged with BDO LLP and as a result were required to resign as auditor. The Trustees appointed BDO LLP in their place in February 2019.

Subsequent events

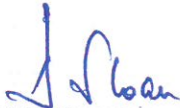
Following the year end the Trustees reduced the holdings in leveraged gilts and bonds held with Legal and General and reinvested the proceed plus cash, to a total value of £88.6 million (as at 1 August 2019) in non-leveraged gilts and bonds. This is expected to reduce future fees incurred by the Scheme.

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.

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 2019

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

MEMBERSHIP CHANGES DURING THE YEAR ENDED 30 JUNE 2019

	Year to 30 June 2019	Year to 30 June 2018
Active membership at 1 July	9	9
New Members	2	-
Leaver	(1)	-
	<hr/>	<hr/>
Active membership at 30 June	10	9
Pensioners	271	263
Deferred retirements with preserved pension	21	20
Deferred Members with preserved pension	<u>431</u>	<u>450</u>
Total Deferred membership	452	470
	<hr/>	<hr/>
Total membership at 30 June	<u>733</u>	<u>742</u>

Pensioners include 217 (2018: 220) Members whose benefits are fully provided through annuities.

Pensioner numbers increased by 8 in the year. This is due to 11 Members taking their pension less 3 Member deaths.

Deferred member numbers reduced by 18 in the year. This is due to 11 Members taking their pension (2 with more than 1 period of service), 2 transfers out of the scheme, 3 triviality payments, 1 death and an active member leaving their employment.

There are 4 (2018: 6) life assurance only Members in addition to the 10 (2018: 9) Active Members as at 30 June 2019.

**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

1. 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 specified of the Schedule

Adherence to Statement of Funding Principles

2. 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 ensuring 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 College of Law Pension and Assurance Scheme were to be wound up.



Simon Tidy FIA

Deloitte Total Reward and Benefits Limited
2 New Street Square
London
EC4A 3BZ

7th June 2019

INVESTMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 2019. Economic conditions may have changed between 30 June 2019 and the date of the signing of the Report of the Trustees and Financial Statements.

Over the past 12 months, global economic indicators have highlighted a synchronised slowdown even though activity continues to expand. The closely watched global manufacturing PMI composite index fell back to its lowest level for three and a half years in February. This was partly a result of the US-China trade dispute, but also reflected a slowdown in the Chinese economy. Worldwide, inflationary pressures have remained subdued by historical standards. Having risen to its highest level in four years in early October, the Brent crude oil price declined sharply to just over \$50 per barrel in December – its lowest level for 15 months – driven by increased levels of supply, notably US inventories, before rallying during the opening months of 2019.

In the US, growth has been underpinned by improving consumer and business sentiment, as the impact of tax cuts and a strong labour market has boosted domestic demand in an economy which is less dependent on world trade. The first-quarter GDP report depicted a healthy economic expansion after a lull during the final quarter of 2018. The Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy, raising interest rates twice over the past 12 months, and continued to unwind its asset-purchase programme. But in January, the Fed halted its programme of interest-rate hikes, citing slowing global growth, the ongoing US-China trade dispute, and tighter financial conditions, signalling a more accommodative monetary policy.

In contrast, there has been a sharp loss of momentum in the Eurozone. The German economy stalled during the fourth quarter of 2018, partly due to reduced Chinese demand for capital goods, while Italy fell into recession for the first time since early 2013. France and Spain continued to support the single-currency bloc's growth. Although Eurozone economic activity picked up over the first quarter of 2019, forward-looking indicators have been less reassuring. Business confidence in Germany weakened to its lowest point in nearly five years during June, casting renewed doubts on the health of the Eurozone's largest economy. The European Central Bank confirmed it had reached the end of its monthly asset-purchase programme in December, but more recently pushed back the timeframe for higher interest rates and indicated a move would not occur before the second half of 2020.

In the UK, economic and political uncertainty has heightened over the past 12 months, with precariousness as to the outcome of Brexit negotiations and the implications for future trade with the EU. Although the UK government negotiated a draft withdrawal agreement with the EU, it is highly uncertain whether any such deal will receive the consent of Parliament by the extended deadline of the end of October. The UK economy recorded its weakest growth rate for over six years during the final quarter of 2018. Although the employment market has remained a bright spot, recent industrial and manufacturing data have been particularly weak as the effects of stockpiling during the first quarter of 2019 faded.

Looking at the Asian economies, Japan recorded its steepest contraction in over four years during the third quarter as floods and earthquakes impacted business investment and household consumption, while the export-dependent economies of Taiwan and South Korea reported a sharp decline in manufacturing activity. The Chinese economy grew at an annualised rate of 6.4% during the first quarter of 2019. This was the lowest quarterly growth rate for three years amid the intensifying trade dispute with the US, weaker domestic demand, and escalating off-balance sheet borrowings by local government.

Among other major emerging economies, in Brazil recent data releases have been disappointing with growth expectations for 2019 downgraded, while the Russian economy slowed to its lowest rate of growth in over two years during the first quarter.

Bonds

Bond markets gained ground over the past 12 months, as a marked rise in equity market volatility during the fourth quarter of 2018 and more recently in May highlighted the 'safe haven' appeal of major government bond markets. Since the turn of the year, the major central banks have also shelved plans for rate hikes, underpinning government bonds. In the UK, although inflationary pressures have remained subdued, index-linked gilts outperformed conventional securities on demand for inflation protection from institutional investors. The weakness of sterling, given ongoing uncertainty over the outcome of Brexit negotiations, preoccupied investors and enhanced returns from international bond markets.

In emerging markets, bonds outperformed equities in sterling terms by a significant margin. Issuance levels 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, notably Turkey and Argentina. Although market volatility rose early in the period on concerns that the Fed may be tightening monetary policy too aggressively, emerging bond markets have rallied since the turn of the calendar year as the Fed sounded a much more cautious tone on the need for further US interest rate hikes.

Performance Summary (Net of Fees)

	L&G Multi asset	L&G LDI	Insight	Partners	Total Fund
	%	%	%	%	%
12 months Absolute	3.1	19.0	1.8	5.9	8.6
12 months Benchmark	3.0	19.0	0.8	4.9	8.5
3 years Absolute	3.0	8.9	1.9	4.1	7.1
3 years Benchmark	2.8	8.9	0.7	4.7	7.0
5 years Absolute	4.4	24.0	n/a	n/a	12.8
5 years Benchmark	4.2	24.0	n/a	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 fund benchmark performance has been weighted by actual asset allocation at the start of the quarter. For LDI there is no formal benchmark. We have therefore taken the benchmark as being equal to actual performance. The 3-year time period for the Insight - LIBOR Plus mandate and the Partners mandate shows performance of the fund from inception in October 2017 to 30 June 2019.

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 2019			Valuation and Distribution 30 June 2018		
	£000s	% of L&G holdings	% of total investment assets	£000s	% of L&G holdings	% of total investment assets
AAA-AA-A Bonds-Over						
15Y Index	24,382	16.2	14.3	22,138	15.4	13.9
Cash Fund	61,501	40.9	36.0	60,346	41.9	37.9
LDI Mandate Gilt funds:						
Gilt Funds	13,652	9.1	8.0	12,728	8.8	8.0
Index-linked Gilt funds	5,099	3.4	3.0	4,649	3.2	2.9
Leveraged Gilt Funds	15,936	10.6	9.3	13,449	9.3	8.4
Leveraged Index-linked Gilt Funds	29,701	19.8	17.4	30,852	21.4	19.4
Total Assets	150,271	100.0	88.0	144,162	100.0	90.5

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 value of units represented 59.0% of the total net assets of the scheme at 30 June 2019.

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 2019 was £9,915k (2018 £9,978k). The investments were purchased in October 2017 at a cost of £10 million.

The value of units represented 3.9% of the total net assets of the scheme at 30 June 2019.

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 2019 was £10,611k (2018 £5,077k). The investments were purchased in 5 tranches between October 2017 and October 2018 at a cost of £10 million.

The value of units represented 4.2% of the total net assets of the scheme at 30 June 2019.

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 Regulation 3A of 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 are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements 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 continue as a going concern.

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 2019 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 2019, 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

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

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 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. 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.



BDO LLP

Chartered Accountants
Statutory Auditor
31 Chertsey Street
Guildford, Surrey, GU1 4HD

11 December 2019

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 2019 which is set out in the trustees' report on page 20.

In our opinion contributions for the Scheme year ended 30 June 2019 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.

Auditor's responsibilities for the preparation of a 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 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.

BDO UK

BDO LLP
Chartered Accountants
Statutory Auditor
31 Chertsey Street
Guildford, Surrey, GU1 4HD


11 December 2019

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR ENDED 30 JUNE 2019

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

	£000s
Employer normal contributions	174
Contributions payable under the schedule of contributions	<u><u>174</u></u>

Signed on behalf of the Trustees:



Trustee



Trustee

Date: 11 December 2019

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2019

		Year ended 30 June 2019	Year ended 30 June 2018
	Note	£000s	£000s
Contributions & Benefits			
Employer Contributions	3	174	160
		<u>174</u>	<u>160</u>
Benefits	4	4,513	4,359
Payments to and on account of leavers	5	957	1,185
Other payments	6	9	9
Administrative expenses	7	446	432
		<u>5,925</u>	<u>5,985</u>
Net withdrawals from dealings with Members		(5,751)	(5,825)
Returns on investments			
Investment income	8	3,740	3,630
Change in market value of investments	9	7,500	4,616
Investment management expenses	10	(171)	(209)
Net returns on investments		<u>11,069</u>	<u>8,037</u>
Net increase in the fund during the period		5,318	2,212
Net assets of the Scheme			
At 1 July		249,174	246,962
At 30 June		<u><u>254,492</u></u>	<u><u>249,174</u></u>

The notes on pages 23 to 32 form part of the financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 30 JUNE 2019

		Year ended 30 June 2019	Period ended 30 June 2018
	Note	£000s	£000s
Investment assets			
Pooled Investment Vehicles	9	170,797	159,217
Insurance policies	9	82,515	88,866
AVCs	9	344	323
		<u>253,656</u>	<u>248,406</u>
Net current assets	11	836	768
Net assets of the Scheme at 30 June		<u>254,492</u>	<u>249,174</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 2019.



Trustee



Trustee

The notes on pages 23 to 32 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 Insight Investments.

Income is accounted for on an accruals basis on the date the investment is quoted ex-dividend.

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.

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 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

	2019 £000s	2018 £000s
Employer - Normal	<u>174</u>	<u>160</u>

As the Scheme was in surplus as at the date of the triennial valuation based on 1st July 2018 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

	2019 £000s	2018 £000s
Pensions	3,995	3,779
Commutations and lump sum retirement benefits	518	580
	<u>4,513</u>	<u>4,359</u>

The Pensions total above of £3,995k (2018: £3,779k) includes pensions paid directly to pensioners by annuity providers on behalf of the Trustees. The value of pensions paid in this way were as follows:

	2019 £000s	2018 £000s
Aviva Annuity UK Limited	2,549	2,502
Legal & General Retirement Limited	530	542
Prudential Annuities Limited	417	407
Canada Life	37	38
	<u>3,533</u>	<u>3,489</u>

The remaining £462k (2018: £290k) of pensions were paid from Scheme funds and not by annuity providers. Included within pensions paid from Aviva and Canada Life is an amount totalling £74k which is received by the Scheme to fund a pension paid from the Scheme.

THE COLLEGE OF LAW PENSION AND ASSURANCE SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. Payments to and on account of leavers		
	2019	2018
	£000s	£000s
Individual transfers to other Schemes	957	1,185
	<u>957</u>	<u>1,185</u>
6. Other payments		
	2019	2018
	£000s	£000s
Premiums on term insurance policies (active member's life assurance and widows and dependants liability cover)	9	9
	<u>9</u>	<u>9</u>
7. Administrative expenses		
	2019	2018
	£000s	£000s
Legal and Professional fees	324	320
Administration, processing & actuarial fees	107	97
Trustees fees - Chairman	15	15
	<u>446</u>	<u>432</u>
8. Investment income		
	2019	2018
	£000s	£000s
Interest on cash deposits	2	1
Income from pooled investment vehicles	205	140
Annuity income	3,533	3,489
	<u>3,740</u>	<u>3,630</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9. Investments

	Value at 1 July 2018	Purchases at cost	Sales proceeds	Change in market value	Value at 30 June 2019
	£000s	£000s	£000s	£000s	£000s
Pooled Investment Vehicles					
Gilts and Bonds	83,816	-	(7,925)	12,879	88,770
Cash	60,346	7,925	(7,250)	480	61,501
Asset Backed Credit	9,978	-	-	(63)	9,915
Private Credit	5,077	5,000	-	534	10,611
	159,217	12,925	(15,175)	13,830	170,797
Insurance policies	88,866	-	-	(6,351)	82,515
AVC investments	323	-	-	21	344
	248,406	12,925	(15,175)	7,500	253,656

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 2018	Purchases at cost	Disposals	Change in Market value	Value at 30 June 2019
	£000s	£000s	£000s	£000s	£000s
Insight Investments	9,978	-	-	(63)	9,915
Legal & General Partners Group	144,162	7,925	(15,175)	13,359	150,271
	5,077	5,000	-	534	10,611
	159,217	12,925	(15,175)	13,830	170,797

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 2019

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:

	2019	2018
	%	%
Insurance policies	32.4	35.7
Gilt Funds	5.4	5.1
Leveraged Gilt Funds	6.3	5.4
Leveraged Index-linked Gilt Funds	11.7	12.4
AAA-AA-A Bonds-Over 15Y Index	9.6	8.9
Cash Fund	24.2	24.2

10. Investment management expenses

	2019	2018
	£000s	£000s
Administration, management and custody	<u>171</u>	<u>209</u>

11. Net current assets

	2019	2018
	£000s	£000s
Current assets		
Bank account	840	872
Sundry debtors	<u>106</u>	<u>14</u>
	946	886
Current liabilities		
Sundry creditors	(101)	(106)
Unpaid benefits	<u>(9)</u>	<u>(12)</u>
Net current assets	<u>836</u>	<u>768</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 and AVC policies in Level 2 and monthly net asset values for Insurance policies in Level 3.

Values as at 30.6.19

Category	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Pooled investment vehicles:				
Legal & General	-	150,271	-	150,271
Insight Investments	-	9,915	-	9,915
Partners Group	-	-	10,611	10,611
Insurance policies	-	-	82,515	82,515
AVC investments	-	344	-	344
	-	160,530	93,126	253,656

Values as at 30.6.18

Category	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Pooled investment vehicles:				
Legal & General	-	144,162	-	144,162
Insight Investments	-	9,978	-	9,978
Partners Group	-	-	5,077	5,077
Insurance policies	-	-	88,866	88,866
AVC investments	-	323	-	323
	-	154,463	93,943	248,406

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

	Credit risk	Interest risk	Currency risk	Other Price risk
Legal & General				
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
Insight Libor Plus Fund	Y	Y		
Partners Group Private Markets Credit Strategies (Multi asset credit 2017)	Y	Y	Y	Y

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

Values as at 30.6.19	Credit risk	Interest risk	Currency risk	Other	Total
	£000s	£000s	£000s	£000s	£000s
Legal & General	150,271	150,271	-	34,801	150,271
Insight Investments	9,915	9,915	-	-	9,915
Partners Group	10,611	10,611	10,611	10,611	10,611
Insurance policies	82,515	-	-	-	82,515
	253,312	170,797	10,611	45,412	253,312

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 with the exception of Partners Group which is closed.

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.

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 10th 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. Related party transactions

Of the four (2018: four) 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 2019 the Scheme had undrawn commitments to fund the Partners Group Private Markets Credit Strategies Multi Asset Credit fund amounting to £nil (2018: £5,000,000).

16. Contingent Liabilities

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustees are now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. The Scheme Actuary has confirmed to the Trustees that there is an estimated increase to Scheme liabilities of £699,000, however, this is not split between amounts immediately payable and those which will be adjusted through the next valuation. As these amounts cannot be reasonably calculated the Trustee has agreed to not make provision for any such amounts that may be due. As soon as this review is finalised and any liability quantified, then members will be communicated with.

Other than as above, in the opinion of the Trustees, the Scheme had no contingent liabilities as at 30 June 2019 (2018: £nil).