

Trustees' Newsletter and Summary Funding Statement

The College of Law Pension and Assurance Scheme 2015

The purpose of this newsletter is to provide Members with a summary of the information contained in the Scheme Annual Report and Accounts for the period to 30 June 2015 together with other useful information.

The year in brief:

- Scheme Funding at 30th June 2015 - 109% of liabilities
- Scheme Net Assets (including annuities) of £200.0 million at 30 June 2015 up from £164.3 million at 30 June 2014.
- Total membership fell from 772 to 762.

Scheme Trustees

Employer Appointed

Derek Sloan (Chairman)
Alan Humphreys

Member Nominated

Chris Beanland
Richard Jones

Advisers

Scheme Actuary:

Simon Tidy FIA
of Legal & General
Assurance Society Limited

Auditor:

Moore Stephens LLP

Investment:

Hymans Robertson LLP

Legal:

Linklaters LLP

Scheme Administrator and
Scheme Secretary:

Jill Gale

Membership Profile

Active Members as 1 July 2014	5
Joiners	1
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Active Members as 30 June 2015	6
Pensioners	223
Deferred Retirements and Deferred Members with preserved pension	533
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Total Membership at 30 June 2015	762
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Notices

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

Scheme Investments

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

Following a review of the Scheme's investments, and following advice, the Trustees agreed to switch the holdings in the Legal & General Equity Index Funds and the holding in the Lazard Global Equity Funds to the Legal & General RAFI (Research Affiliates Fundamental Index) Equity Index Fund. This restructuring was mainly implemented to improve the geographical distribution of holdings and potentially realise an out-performance of the equity market over the longer term.

In addition to the assets shown on page 5, the Scheme owns annuities valued at £62.2 million which are used to pay pensions in payment.

Investment Managers at 30 June 2015

Manager	Asset Category
Legal & General Investment Management	Index Tracking Funds
First State Investments	Global Emerging Markets
Schroder	Real Estate
AEGON	Additional Voluntary Contributions
Standard Life	Additional Voluntary Contributions

Compliance

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

- Statement of Investment Principles

This sets out the principles governing decisions about investment of Scheme assets.

- Statement of Funding Principles

This sets out the approach to funding the Scheme to ensure a healthy financial position with appropriate assets to cover the Scheme Technical Provisions.

Copies of both Statements are available on request.

Actuarial Valuations

The Scheme Actuary undertakes a full Triennial Valuation every three years. To do this, data regarding Scheme Members is analysed in detail. The latest Triennial Valuation prepared by the Scheme Actuary valued the Scheme as at 1 July 2015. The previous Triennial Valuation was produced at 1 August 2012.

The table below shows the funding position as at 1 July 2015 and at 1 August 2012 based on the respective Triennial Valuation. In addition the Scheme Actuary extrapolated the figures from the 1st August 2012 valuation and using updated assumptions together with actual data, where known, to provide indicative figures as at 1 July 2014.

Basis	1 August 2012		1 July 2014		1 July 2015	
	Funding %	Surplus/ (Deficit) £million	Funding %	Surplus/ (Deficit) £million	Funding %	Surplus/ (Deficit) £million
1. On-going	82	(28.4)	108	13.6	109	16.1
2. FRS17	89	(15.6)	113	19.4	123	34.9
3. Solvency	61	(92.6)	83	(36.0)	83	(42.2)
4. Pension Protection Fund	89	(18.6)	128	38.3	127	42.7

1. The On-Going basis assumes that the Scheme will continue in its current form.
2. The FRS17 basis is the one used in preparing The Employer's Annual Accounts.
3. The Solvency basis looks at what the Scheme's liabilities would be if the Scheme was wound up.
4. The Pension Protection Fund (PPF) basis looks at the compensation which the PPF would pay in the unlikely event that The Employer were to become insolvent.

Asset Allocation

30 June 2014		Investment management style and type	30 June 2015	
%	£million		%	£million
18.0	21.2	Passive:	-	-
		UK Equity	-	-
4.9	5.8	North America Equity	-	-
4.2	4.9	Europe (Ex UK)	-	-
1.5	1.7	Japan Equity	-	-
1.5	1.7	Asia Pacific (Ex Japan) Dev Equity	-	-
14.4	17.0	Corporate Bonds over 15yr	13.0	17.9
44.5	52.3		13.0	17.9
		Active:		
10.8	12.7	Lazard Global Equities	-	-
5.0	5.9	Global Emerging Markets	4.3	5.9
5.5	6.5	Property Units	5.2	7.1
21.3	25.1		9.5	13.0
		Index tracking:		
-	-	All World Equities (RAFI)	36.7	50.5
		Liability driven investment (LDI):		
8.4	9.9	Gilts	9.0	12.4
3.6	4.2	Index linked Gilts	3.7	5.1
12.7	14.9	Leveraged Gilts	9.9	13.7
8.5	10.0	Leveraged Index linked Gilts	9.4	13.0
33.2	39.0		32.0	44.2
		Other:		
-	-	Cash Fund	7.8	10.8
99.0	116.4		99.0	136.4
0.3	0.3	AVC Policies	0.2	0.3
99.3	116.7		99.2	136.7
0.7	0.8	Net Current Assets/(liabilities)	0.8	1.1
100	117.5	Net Assets of Scheme	100	137.8

In addition the Scheme holds annuities which had an aggregate value of £62.2 million at 30 June 2015.

The Scheme Accounts

2014 £'000		2015 £'000
	Income	
75	Employer's Contribution	99
-	Members' Contributions*	-
75	Total Income	99
	Expenditure	
(1,619)	Pensions paid and annuities purchased from the Scheme assets	(1,381)
-	Transfers out and refunds	(173)
(11)	Death in Service Assurance Premium	(7)
(310)	Administration Expenses	(298)
(1,940)	Total Expenditure	(1,859)
(1,865)	Net expenditure from the Scheme	(1,760)
250	Investment Income	304
5,757	Change in Market Value of Investments	21,925
(100)	Investment Management Expenses	(203)
4,042	Increase in Net Assets of the Scheme during the year	20,266

These figures are extracted from the audited Annual Report and Accounts upon which an unqualified opinion was received from the Auditor.

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

Triennial Actuarial Valuation as at 1st July 2015

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

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

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

The Employer made special payments of £0.5 million in respect of a deficit on the Technical Provisions on the purchase of annuities by the Trustees and a Recovery Plan payment of £1.5 million in September 2012. A further lump sum payment of £29.8 million was made by the Employer in December 2012.

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

Purchase of Annuities

The Trustees have purchased annuities when market conditions are favourable in order to pay pensions in payment. When market conditions have been less favourable the Trustees have paid pensions direct from Scheme assets.

Pension Accounting Rules regarding annuities require that these are not shown as part of the Net Assets of the Scheme but as a note to the Accounts. As at 30 June 2015 the aggregate value of annuities purchased over a period of years by the Trustees, at a cost of £46.8 million, and held as assets of the Scheme was £62.2 million. When added to the Net Assets of the Scheme as shown on the Asset Allocation note, the annuities form 31% of total assets.

The Legal Education Foundation (the Employer)

The Foundation retained sole responsibility for the Pension Scheme after it sold the education and training operation formerly trading as The College of Law. The Net Assets of the Foundation at 30 June 2015 were £209 million most of which were held as marketable securities. The activities of the Foundation are described on its website:

www.thelegaleducationfoundation.org .

Pension changes in Finance Act 2014

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

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

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

Pension Scams

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

External sources of Information

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

Telephone: 0845 600 0707

Email: customersupport@tpr.gov.uk

www.thepensionsregulator.gov.uk

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

Telephone: 0845 600 2537

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

Telephone: 0300 123 1047

www.pensionsadvisoryservice.org.uk

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

Telephone: 020 7630 2200

Email: enquiries@pension-ombudsman.org.uk

www.pensions-ombudsman.org.uk

Keeping in touch

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

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

pensionsinfo@thefef.org

or in writing to:

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

Lifetime Allowance

As you may know the Lifetime Allowance for pensions will reduce from £1.25 million to £1.0 million with effect from 6th April 2016. You will find useful links for more information below. You should take professional advice if you have any concerns.

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

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

Information and Enquiries

If you have any queries about the scheme or your benefits from the Scheme you should, **in the first instance, contact Clare Johns, Deputy Scheme Secretary preferably by e mail as shown above.** Please note that we are not able to give financial advice to Members.

The Scheme does not automatically provide annual statements to Deferred Members. However, the Scheme will provide 1 free quote in any 12 month period on request. Additional quotes can be provided for a fee. Members with funds in the Scheme AVCs will automatically receive an annual quote from the AVC provider up to their Scheme retirement date.

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

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

The information in this document is correct as at 10 December 2015.