

Trustees' Newsletter and Summary Funding Statement

The College of Law Pension and Assurance Scheme 2018

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 2018 together with other useful information.

The year in brief:

- Indicative Scheme Funding position at 1 July 2018 - 109% of liabilities.
- Scheme Net Assets (including annuities) of £249.2 million at 30 June 2018 up from £247.0 million at 30 June 2017.
- Total membership fell from 750 to 742.

Scheme Trustees

Employer Appointed

Derek Sloan (Chairman)
Alan Humphreys

Member Nominated

Chris Beanland
Richard Jones

Advisers

Scheme Actuary:

Simon Tidy FIA
Deloitte Total Reward and
Benefits Limited

Auditor:
Investment:

Moore Stephens LLP
Hymans Robertson LLP

Legal:

Linklaters LLP

Scheme Administrator and
Scheme Secretary:

Jill Gale

Membership Profile

| | |
|--|-------|
| Active Members as 1 July 2017 | 9 |
| Joiners | - |
| | <hr/> |
| Active Members as 30 June 2018 | 9 |
| Pensioners | 263 |
| Deferred Retirements and Deferred Members with preserved pension | 470 |
| | <hr/> |
| Total Membership at 30 June 2018 | 742 |
| | <hr/> |

Notices

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

Scheme Investments

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

In the year to 30th 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 30th June 2018 a further £5 million has been invested in the Partners Group Multi Asset Credit Fund.

As part of the Trustees' long-term risk reduction strategy, they 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 pending investment elsewhere.

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.

Investment Managers at 30 June 2018

| Manager | Asset Category |
|--|------------------------------------|
| Legal & General Investment Management | Index Tracking and LDI Funds |
| Insight Libor Plus Fund | Asset Backed Credit |
| Partners Group Multi Asset Credit Fund | Private Credit |
| AEGON | Additional Voluntary Contributions |
| Standard Life | Additional Voluntary Contributions |

Compliance

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

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

Copies of both Statements are available on request.

Actuarial Valuations

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

The table below shows the funding position as at 1 July 2015 and at 1 July 2015 based on the respective Triennial Valuation. In addition, the Scheme Actuary extrapolated the figures from the 1 July 2015 valuation and has used updated assumptions together with actual data, where known, to provide indicative figures as at 1 July 2017 and 1 July 2018.

| Basis | 1 July 2015 | | 1 July 2017 | | 1 July 2018 | |
|----------------------------------|-------------|-----------------------|-------------|-----------------------|-------------|------------------------|
| | Funding | Surplus/ (Deficit) | Funding | Surplus/ (Deficit) | Funding | Surplus / (Deficit) |
| | % | £million | % | £million | % | £million |
| 1 On-going | 109 | 16.1 | 110 | 22.8 | 109 | 22.1 |
| 2 FRS102 | 123 | 34.9 | 130 | 53.1 | 135 | 58.1 |
| 3 Solvency | 83 | (42.2) | 95 | (14.2) | 93 | (19.6) |
| 4 Pension Protection Fund | 127 | 42.7 | 138 | 67.7 | 139 | 69.9 |

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

The College of Law Pension and Assurance Scheme

Asset Allocation

| 30 June 2017 | | Investment management style and type | 30 June 2018 | |
|--------------|----------|---|--------------|----------|
| % | £million | Passive: | % | £million |
| 8.9 | 22.0 | Corporate Bonds over 15 years | 8.9 | 22.1 |
| | | Active: | | |
| - | - | Asset Backed Credit | 4.0 | 10.0 |
| - | - | Private Credit | 2.0 | 5.0 |
| | | Index tracking: | | |
| 7.8 | 19.2 | All World Equities (RAFI) | - | - |
| | | Liability Driven Investment (LDI): | | |
| 4.9 | 12.1 | Gilts | 5.1 | 12.7 |
| 1.9 | 4.6 | Index linked Gilts | 1.9 | 4.7 |
| 6.9 | 17.1 | Leveraged Gilts | 5.4 | 13.5 |
| 13.4 | 33.0 | Leveraged Index linked Gilts | 12.4 | 30.9 |
| | | Other: | | |
| 19.0 | 47.0 | Cash | 24.2 | 60.3 |
| 36.6 | 90.5 | Annuities | 35.7 | 88.9 |
| 0.1 | 0.3 | AVC Policies | 0.1 | 0.3 |
| 99.5 | 245.8 | | 99.7 | 248.4 |
| 0.5 | 1.2 | Net Current Assets/(liabilities) | 0.3 | 0.8 |
| 100.0 | 247.0 | Net Assets of Scheme | 100.0 | 249.2 |

The Scheme Accounts

| 2017 | | 2018 |
|----------------|--|----------------|
| £'000 | | £'000 |
| | Income | |
| 145 | Employer's Contribution | 160 |
| - | Members' Contributions* | - |
| 145 | Total Income | 160 |
| | Expenditure | |
| (4,045) | Pensions paid and annuities purchased from the Scheme assets | (4,359) |
| (617) | Transfers out and refunds | (1,185) |
| (8) | Death in Service Assurance Premium | (9) |
| (468) | Administration Expenses | (432) |
| (5,138) | Total Expenditure | (5,985) |
| (4,993) | Net Expenditure from the Scheme | (5,825) |
| 3,354 | Investment income | 3,360 |
| 4,852 | Change in Market Value of Investments | 4,616 |
| (283) | Investment management expenses | (209) |
| 2,930 | Increase in Net Assets of the Scheme during the year | 2,212 |

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

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

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

Triennial Actuarial Valuation as at 1st July 2015

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

The main changes between the 1 July 2012 and the 1 July 2015 full Triennial Actuarial Valuations were:

- Actual investment gains £25.6 million higher than assumed in last report
- Discounting rates lower and inflation higher than previously assumed giving rise to additional costs of £10 million.

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

Recent Developments

(i) Purchase of Annuities

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

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

(ii) Current Funding Position

The Scheme Funding Position has not changed materially from 30 June 2018 up to the date of this Newsletter.

(iii) Change of Administration provider for some pension payroll services

With effect from 1 September 2018 Legal & General Assurance Society Limited ("L&G") no longer provide pension payroll services for the Scheme for pensions not paid through bulk annuity contracts. Deloitte Total Reward and Benefits Limited ("Deloitte") will administer these payments from that date and have contacted the relevant Members.

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

The Legal Education Foundation (the Employer)

The Foundation retained sole responsibility for the Pension Scheme after it sold the education and training operation formerly trading as The College of Law on 30 November 2012. The Net Assets of the Foundation at 30 June 2018 were £253 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 to another type of scheme must seek advice from a regulated advisor, and provide evidence that they have done so, if the transfer value is more than £30,000.

The Pensions Advisory Service (contact details below) provides useful information about the changes. For queries regarding the options available in the Scheme Rules please contact the Scheme administrators, Deloitte. See the Information and Enquires section of this newsletter for contact details.

Equalisation of Guaranteed Minimum Pensions

You may have seen articles in the press recently about a case brought in relation to the Lloyds Bank pension schemes and concerning the equalisation of guaranteed minimum pensions. Please be assured that the Trustees are aware of the case and have been monitoring its development carefully alongside its legal and actuarial advisers.

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 Pension Scheme section of The Legal Education Foundation website.

External sources of Information

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

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

Telephone: 0800 731 0193

The College of Law Pension and Assurance Scheme

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: 0800 011 3797 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: 0800 917 4487

Email: enquiries@pension-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Update your postal address for Scheme correspondence

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

If you move to a new address please contact the Scheme as follows:

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

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

Lifetime Allowance

As you may know, the Lifetime Allowance for pensions reduced from £1.25 million to £1.0 million with effect from 6th April 2016 and then increased to £1.03 million from 6 April 2018 and £1.05 million from 6th April 2019. You will find useful links for more information below. You should take professional advice if you have any concerns.

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

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

Information and Enquiries

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

Or by calling: 028 9032 2861

Provide the Scheme name or ask to speak to Andy Mullin.

Or in writing to:

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

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

The Scheme does not automatically provide annual statements to Deferred Members. However, the Scheme will provide 1 free quote in any 12-month period on request. Additional quotes can be provided for a fee (currently £270 each). Please contact Deloitte's Pension Administration Team, above, to request a quote.

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

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

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

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

The information in this document is correct as at 12 December 2018.