

What are the charges for investing?

Legal & General apply a charge to members' investments within the fund range. This is known as the fund management charge (FMC) and is shown as an annual rate. It is accounted for in the unit price and is reflected in the daily value of the fund. Legal & General regularly review FMCs for funds, and these may change in the future.

The FMC consists of the investment management charge (IMC) plus additional expenses (AE). It includes investment management fees, fund administration fees, custody/custodian fees, auditing and accounting fees, and regulatory charges.

What is the total cost of running my pension?

To calculate the total cost of running a pension plan, known as the total expense ratio or TER, you need to add the annual management charge (AMC), which covers Legal & General's administration costs, to the FMC.

The AMC for the TfL Pension Fund AVC policy is 0.14 per cent.

The FMC varies from one fund to another. Details of the FMC for each fund can be found below.

What types of funds are available to me?

There are four main asset types that funds can invest in. Some funds may invest in more than one of these asset types. These are:

Equities

These are shares in companies. When a fund manager invests in equities they are taking part-ownership in the companies concerned. The day-to-day value of the equities invested in will go up and down. The rapid change in the value of equities is often called 'volatility'. Although equities can demonstrate extreme short-term volatility due to their sensitivity to changes in the economy and news about companies and industries, over the long-term they have historically given higher returns than other asset classes. However, you should remember that past performance is not a guide to the future.

Bonds and gilts

These are loans to Governments, companies and other institutions who need to borrow money. Generally speaking they pay a known rate of interest for the term of the loan, but their value can still go down as well as up due to changes in general investment market conditions and the state of the economy. Bonds and Gilts offer greater security than equities because their price and therefore their value tend to be less volatile (additionally, Gilts have the security of being issued and backed by the UK Government). However, generally greater security means a lower investment return and Gilts and bond returns have historically been lower than equity returns over the longer-term. However, you should remember that past performance is not a guide to the future.

Property

Property funds invest in portfolios of commercial properties (warehouses, offices and retail premises for example). Although property can demonstrate volatility due to its sensitivity to movements in the economy, over the long-term it has historically given returns that have outpaced inflation (price changes). However, the impact of stamp duty on the cost of buying and selling properties and the fact that properties can take time, or be difficult, to sell (potentially creating 'liquidity' issues) means that property funds are generally more suitable for longer-term investments.

Cash

Cash is generally not considered a suitable investment for longer periods of time, because historically it has lacked the ability to keep pace with inflation. Cash investments however, can provide capital protection over the short term.

How are the funds managed?

There are two main types of fund management: active and passive.

Passive management

The majority of the AVC fund options are passively managed. With passive management, the fund manager invests in the same or similar investments as a particular market index (for example, the Financial Times Stock Exchange (FTSE) All-Share Index). The manager aims to match the return achieved by the index rather than outperform it. This investment approach reduces the risk of funds under-performing. Charges for this type of management are generally lower than for active management.

Active management

The manager aims to achieve investment returns which are higher than a particular market index or benchmark, as returns depend partly on the skill of the individual manager in deciding when to buy, sell or hold onto investments. The charges for this type of management are generally higher than for passively managed funds.

The AVC fund range available under Legal & General (L&G)

L&G PMC World (ex UK) Equity Index Fund 3

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
NED3	5	0.12%	0.00%	0.12%	0.14%	0.26%

Fund type: Shares of overseas companies

Fund management: Passive

Fund aim: To track the performance of the FTSE World (excluding UK) Index (including re-invested income) to within +/- 0.50% each year for two years out of three.

[L&G PMC UK Equity Index Fund 3](#)

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
NBC3	5	0.10%	0.00%	0.10%	0.14%	0.24%

Fund type: Shares of UK companies

Fund management: Passive

Fund aim: To track the performance of the FTSE All-Share Index (including re-invested income) to within +/- 0.25% each year for two years out of three.

[L&G All World Equity Index Fund](#)

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
B4T3	5	0.12%	0.00%	0.12%	0.14%	0.26%

Fund type: Shares of UK and overseas companies

Fund management: Passive

Fund aim: This Fund is invested wholly or predominately in ordinary shares that are constituents of the FTSE All-World Index. The objective of the Fund is to hold a portfolio of developed and emerging market securities designed to match the return of the index within a specified tolerance.

[L&G PMC Ethical Global Equity Index Fund 3](#)

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
NEB3	5	0.30%	0.00%	0.30%	0.14%	0.44%

Fund type: Shares of UK and overseas companies demonstrating strong environmental, social and governance practices

Fund management: Passive

Fund aim: To track the performance of the FTSE4Good Global Equity Index (including re-invested income) to within +/- 0.5% each year for two years out of three.

[L&G PMC All Stocks Index Linked Gilts Index Fund 3](#)

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
NEL3	5	0.08%	0.00%	0.08%	0.14%	0.22%

Fund type: Government bonds issued with a long-term repayment period

Fund management: Passive

Fund aim: To track the performance of the FTSE A Index-Linked (All Stocks) Index (including re-invested income) to within +/- 0.25% each year for two years out of three.

L&G PMC Diversified Fund G28

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
B9O2	4	0.18%	0.03%	0.21%	0.14%	0.35%

Fund type: A wide variety of investments including company shares, Government and corporate bonds, private equity, property, currency and commodities

Fund management: Passive (some Active)

Fund aim: To provide long-term investment growth through exposure to a diversified range of asset classes.

L&G PMC HSBC Islamic Global Equity Index Fund 3

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
BB43	4	0.35%	0.00%	0.35%	0.14%	0.49%

Fund type: Shares of UK and overseas companies that meet Islamic investment principles

Fund management: Passive

Fund aim: The sub-fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Supervisory Committee and provided to the Board of Directors. These principles are expressed in the section "Investment Policy of the Sub-Funds" of the Full Prospectus. The relevant world index against which the performance of the Sub-Fund is measured will be indicated in the Company annual accounts as well as the over - or underperformance of the Sub-Fund compared to the relevant index.

L&G PMC Pre-Retirement Fund 3

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
NEN3	4	0.12%	0.00%	0.12%	0.14%	0.26%

Fund type: Government and corporate bonds issued both in the UK and overseas

Fund Management: Passive

Fund aim: To provide diversified exposure to assets that reflect the broad characteristics of investments underlying a typical traditional level annuity product.

L&G PMC Future World Fund 3

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
BJ13	4	0.24%	0.00%	0.24%	0.14%	0.38%

Fund type: Shares of UK and overseas companies which exhibit characteristics that have historically led to higher returns or lower risk than the market as a whole and are less carbon-intensive and earn green revenues

Fund management: Passive

Fund aim: To replicate the performance of the Index (the FTSE All-World ex CW Climate Balanced Factor Index) and will ensure the Fund has similar characteristics as the Index whilst not necessarily holding all the constituents of the Index. The anticipated annual tracking error, in normal market conditions, relative to the Index is +/-0.60% in two years out of three.

L&G PMC Cash Fund 3

Fund Code	Risk Rating	IMC	AE	FMC	AMC	Total expense ratio (FMC + AMC)
EAB3	1	0.09%	0.00%	0.09%	0.14%	0.23%

Fund type: Short term money markets investments such as bank deposits and Treasury bills

Fund management: Active

Fund aim: To provide capital protection with growth at short term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills.

Cash fund notes:

The Cash fund does not invest in any asset types where the capital value can fall, such as fixed interest securities. The value of the fund's assets would only fall if a deposit holder or the UK Government were unable to meet their obligations.

If the interest earned by the Cash fund's assets is insufficient to cover the fund management charge and any additional fund expenses, the unit price will fall.

Important

The value of investments can fall as well as rise and is not guaranteed – you may get back less than you pay in. Please remember that neither the Trustee, TfL nor Legal & General are providing financial advice.

If you want to make your own investment decisions, you should speak to a qualified financial adviser. You can find one in your local area at unbiased.co.uk. Please note that advisers will usually charge for their services.