

# Clifford Chance Pension Scheme

## Pensions Update

The Trustee of the Clifford Chance Pension Scheme looks after the Scheme on behalf of its members. This statement outlines the funding position of the final salary section of the Scheme. It also sets out information relating to investment changes that may be of interest to both members of the final salary section and members of the money purchase section.

### Changes to the Unitised Managed Fund investments

The Trustee has been reviewing the Unitised Managed Fund option, which up until now has been available as an investment option for money purchase contributions and Additional Voluntary Contributions (AVCs) for members of the final salary section. The Trustee has given consideration to alternative, more appropriate, investments for these funds and as a result has recently appointed a new provider, Legal & General, for these arrangements. The Trustee will write to you separately with more detail about this in due course.

### Final salary section – how is my pension funded?

**The remainder of this statement is only relevant for members of the final salary section of the Scheme.**

The financial position of the Scheme could ultimately affect the benefits you will receive, so we recommend you take some time to read through this statement.

If you have not yet retired you will have earned benefits during your Scheme membership which will be payable at retirement. If you have already retired then you should be receiving a pension from the Scheme. The estimated costs of these benefits are referred to as the Scheme's liabilities.

The Scheme's assets are held in a collective fund and not in separate funds for each member. If you had chosen to pay AVCs, these are separately identifiable for each member.

To check the Scheme's financial position we compare the value of the liabilities to the amount of the assets built up. If the Scheme has fewer assets than liabilities, it is said to have a "deficit". If the assets are worth more than the liabilities there is said to be a "surplus".

An in-depth review of the Scheme's financial position is performed at least every three years. This is called an actuarial valuation and is prepared by a qualified, independent professional, known as an actuary. The latest completed valuation was the 30 April 2019 review. At each review the Trustee and the Employer, Clifford Chance London Limited, must agree appropriate assumptions to use to assess the value of liabilities and also a plan to address any deficit.

Using this information and taking advice from the actuary, the Trustee agrees with Clifford Chance London Limited the amount of contributions to be paid in order to keep the Scheme on track to meet the objective of continuing to pay pensions and other benefits as they become due. This agreement is recorded in a document called the Schedule of Contributions. This Schedule is reviewed and updated at each actuarial valuation.

In practice the financial position of the Scheme is monitored more regularly, with a formal actuarial update being provided at least annually.

## What were the results of the last actuarial valuation and latest annual reviews?

The results of the last formal valuation of the Scheme (undertaken) at 30 April 2019 together with the annual update at 30 April 2020 are shown below:

	Position as at 30 April 2019 Valuation	Position as at 30 April 2020 Review
Assets	£499 million	£514 million
Amount assessed as needed to provide benefits (Liabilities)	£675 million	£774 million
Deficit	£176 million	£260 million
<b>Funding Level</b>	<b>74%</b>	<b>66%</b>

Since the Scheme has fewer assets than liabilities (a funding deficit), a Recovery Plan was put in place following the 2019 valuation to set out how the deficit will be paid off.

In view of the results from the 2019 actuarial valuation Clifford Chance London Limited agreed to pay a one-off lump sum contribution of £6 million by 31 August 2020 and increase the annual payments it was already making to address the deficit to £22 million a year from May 2021. Given the deterioration in the funding following the valuation date it was agreed to

continue the annual deficit contributions of £22 million until 31 May 2030. This targeted addressing the deficit of £176 million at the valuation date plus a further £50 million. Future annual payments will continue to increase annually in line with inflation. In addition, Clifford Chance London Limited pays the expenses of operating the Scheme (other than Scheme investment expenses).

## Does the Trustee always calculate the Scheme's liabilities in the same way?

Each time the Trustee assesses the Scheme's liabilities, the approach taken previously is reviewed. This is to ensure that the calculation made takes into account the most up to date information available. At the 30 April 2019 valuation, the assumptions were updated to reflect updated market conditions and longevity projections.

The approach used to value the liabilities is set out in the Trustee's 'Statement of Funding Principles'. This document sets out how the Trustee aims to fund the Scheme with the objective of targeting that it has enough money to pay members' benefits as they become due under the Scheme.

## What is the Scheme invested in?

The Trustee invests in a broad range of assets with the objective of generating moderate returns above inflation while taking account of the liabilities of the Scheme. It also considers the risks associated with having too much money in any one type of investment. As at 30 April 2020, the Assets of the Scheme's Final Section were invested in the following asset classes (target allocation in brackets):

Shares in companies	14%	(15%)
Bond funds	8%	(5%)
Commercial property	12%	(12.5%)
Diversified Growth Funds	18%	(17.5%)
Infrastructure	5%	(10%)
Liability Driven Investments	42%	(40%)
Cash and Net Current Assets	1%	(0%)
<b>Total</b>	<b>100%</b>	<b>(100%)</b>

*Note the Liability Driven Investment allocation includes synthetic equity exposure of around 35% of the total assets.*

## Is my pension guaranteed?

The Trustee's primary objective is to have enough money in the Scheme to pay pensions now and in the future, as they become due, but this depends partly on Clifford Chance London Limited continuing in business and supporting the Scheme, because:

- The value of assets can go down as well as up, and when there is a deficit, more money will usually be required to be put in.
- The cost of benefits (liabilities) may increase, which may also result in having to contribute more money.
- Clifford Chance London Limited pays the future expenses of running the Scheme on an annual basis.

The sponsoring employer of the Scheme is Clifford Chance London Limited. Clifford Chance LLP, the global legal partnership, has provided a formal guarantee to cover all present and future obligations and liabilities of Clifford Chance London Limited to the Scheme.

If Clifford Chance London Limited were to cease operating it would be required, if sufficient funds were available, to pay enough money into the Scheme to enable the Trustee to secure all of the benefits built up by members with annuity policies bought from an insurance company. This is referred to as the Scheme being "wound up".

The comparison of the Scheme's assets to the cost of fully securing the benefits with an insurance company is referred to as the Scheme's "solvency position".

## Is there enough money in the Scheme to provide my full benefits if the Scheme was wound up?

If the Scheme were to wind up you may not receive the full amount of pension you have earned, even if the Scheme is fully funded on its ongoing funding level. Whilst the Scheme remains ongoing however, even though funding may temporarily fall below that target, pensions will continue to be paid in full.

If the Scheme were to wind up, Clifford Chance London Limited would be required to pay enough money into the Scheme to enable the full amount of your benefits to be secured with an insurance company. At 30 April 2019, the estimated amount that the insurance company would require was £1,369 million. This amount is significantly in excess of the value of the assets held by the Scheme. The position is different from the ongoing financial position because the insurance company's approach uses different and very cautious assumptions about the future, as well as including margins to cover the insurance companies' expenses and profits. The effect of the insurer's approach is to increase the value that is attributed to the Scheme's benefit liabilities, as compared to the approach that is agreed between the Trustee and Clifford Chance London Limited for determining the contributions needed to enable the benefits to be paid from the Scheme as they become due.

Please note that this information is designed to be informative and a winding up of the Scheme is not being considered and is considered unlikely.

If this were to change and were the Scheme to be wound up it may be the case that Clifford Chance London Limited and Clifford Chance LLP would have insufficient available resources to pay the full amount required by an insurance company. If this were the case the Pension Protection Fund ("PPF") might be able to take over the Scheme and pay a prescribed level of compensation to members (see below).

## Why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and also seek to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that Clifford Chance London Limited will continue in business and support the Scheme.

## What happens if the Scheme is wound up and there is not enough money to pay for all my benefits?

The Government has set up the PPF to pay benefits to members if a scheme is wound up when the scheme and its sponsoring company do not have enough money to cover the cost of buying members' benefits (up to a limited level, which is prescribed in legislation) with an insurer.

The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent. It does not, however, pay the full amount of scheme members' benefits and the statutory PPF compensation levels are limited in certain respects.

Further information and guidance is available on the PPF's website at <https://www.ppf.co.uk/> and their 'Contact us' page details ways that you can get in touch with them.

## The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run, in particular it can amend the assumptions adopted for funding, the recovery plan or the schedule of contributions. The Regulator has not used any of these powers in relation to the Clifford Chance Pension Scheme. You can find out more about the Regulator online at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Where can I get further information?

If you have any other questions on this statement, or would like any more information about the Scheme, please use the contact details on the Scheme's website at:

**[www.ccpensionsinfocus.co.uk](http://www.ccpensionsinfocus.co.uk)**

You will need to use the following username and password to access the site:

**User name: ccpensions**

**Password: Clifford2**

The document library pages on the site provide a full list of documents for the Scheme, including the Statement of Investment Principles, the Schedule of Contributions, the Recovery Plan, the Scheme's Annual Report and Accounts, the Actuarial Valuation as at 30 April 2019 and the Scheme Explanatory Booklet.

Alternatively, you can get further information regarding the Scheme by emailing **[andrew.darlison@cliffordchance.com](mailto:andrew.darlison@cliffordchance.com)**

If, for any reason you are considering leaving the Scheme or transferring your pension benefits you should carefully consider consulting an independent financial adviser or other professional adviser before taking any action. The Trustee is not able to provide you with any financial advice.

Please do also remember to let us know if you change address or if there are any other changes to your personal details that may be relevant to your benefits under the Scheme (by writing to the Trustee at the email address set out above). In particular if you are employed by Clifford Chance London Limited or if you have any AVCs in the Scheme your beneficiaries may be entitled to a cash payment in the event of your death. In order for the Trustee to direct this benefit in line with your wishes please ensure that your 'expression of wish form' is up to date. A copy can be found in the documents library on the Scheme's website at: **<https://aim.pensionline.org/cliffordchance/library.aspx>**

## Getting Advice

It is against the law for anyone involved in your pension scheme – the company, trustees or their advisers – to give you advice about your personal finances. If you are at all uncertain about your pension please consider taking independent financial advice.

The following website can be used to help you find an independent financial adviser in your area:

**[www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser](http://www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser)**

Remember to check that whoever you speak to is properly qualified and find out what they plan to charge you before seeing them.

Further information and relevant updates regarding the Scheme are provided on the Scheme's website at **<http://www.ccpensionsinfocus.co.uk>** (access details are shown on page four of this statement).