

# Statement of Funding Principles – September 2024

## Clifford Chance Pension Scheme

Prepared in conjunction with the valuation as at 30 April 2022

### Introduction

This document sets out the main principles and objectives for the funding of the Clifford Chance Pension Scheme (the “Scheme”). It has been prepared by the Trustee, after taking advice from the Scheme Actuary, and has been agreed by Clifford Chance LLP (the “Employer”).

### Legal background

The relevant powers of the Trustee and the Employer are contained in the trust deed and the various Pension Acts. The effect of these provisions is as follows.

### *Contributions*

Contributions to the Scheme are payable by the Employer. There are no arrangements for persons other than the Employer to contribute to the Scheme.

The power of determining the contributions to be made by the Employer rests jointly with the Trustee and the Employer, after taking the advice of the Scheme Actuary. The trust deed gives the power of determining the contribution rate to the Employer, who is required to set a contribution rate that is sufficient “to fund the benefits of the members”. However, the Pensions Act 2004 requires that the Trustee and the Employer should agree on the way the Scheme is to be funded, and that the Trustee should then determine the contributions in accordance with that agreement.

### *Investment*

The Trustee also has the power and duty to determine the investment policy of the Scheme, but they must take expert advice, and consult with the Employer. The Trustee's policy on investments is contained in a separate Statement of Investment Principles.

### Objectives and policy for securing objectives

The funding objective will be to ensure that the Scheme is fully funded, using assumptions that contain a margin for prudence. Assets will be taken at market value. Liabilities will be discounted at the expected rate of return on the fund, this being determined on the assumption that the investment policy will be that non-pensioner member liabilities are backed by equities and other growth assets, and pensioner liabilities by bonds. (The specific

method and assumptions to be used at the valuation as at 30 April 2022 are detailed in the Annex.)

Where a valuation shows a deficit then a Recovery Plan will be put in place, which will take account of the financial covenant of the Employer. Assuming that the assumptions made are borne out in practice, the recovery period over which the shortfall calculated at the valuation date will be met is 6 years and 7 months from the valuation date.

In providing an annual update the Trustee will instruct the Scheme Actuary to adopt assumptions derived in a manner consistent with those set out in the Annex.

An actuarial valuation will in normal circumstances be carried out every three years thereafter. However, the Trustee may call for an additional full actuarial valuation, after considering the actuary's advice, if they are of the opinion that events have made it unsuitable to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Trustee will consult the Employer before doing so. Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or Recovery Plan in a way satisfactory to the Trustee on the advice of the actuary.

This Statement will be reviewed if either the Employer or the Trustee requests such a review or if an application for clearance is submitted. Prior to each actuarial valuation the Scheme Actuary will review this Statement and report the results of that review to the Trustee.

## Other matters

### *Payments to the Employer*

A refund to the Employer can only be paid once the full buyout cost of the benefits is met.

### *Discretionary benefits*

There is no recent practice of discretionary benefits being provided by either the Trustee or the Employer. No allowance is therefore made for such benefits. This will be reviewed should such practices begin.

### *Cash equivalents*

Cash equivalents are calculated in accordance with assumptions agreed by the Trustee after taking advice from the Scheme Actuary. These assumptions will typically ascribe a 'best estimate' (ie less prudent) value to members' benefits and would therefore not be expected to produce a strain on the valuation basis as set out in the Annex.

Cash equivalents are not currently being reduced on account of any underfunding in the Scheme.

This statement has been agreed by Clifford Chance LLP:

Signed on behalf of Clifford Chance LLP:.....**M. A. Bates**.....

Name:.....M. A. Bates.....

Position:.....Partner .....

Date:.....27/09/2024.....

This statement has been agreed by the Trustee:

Signed on behalf of Clifford Chance Pension Trustees Limited:.....**R. T. Tremaine**....

Name:.....R. T. Tremaine.....

Position:.....Chair, Trustee.....

Date:.....27/09/2024.....

This statement has been agreed by the Trustee after obtaining actuarial advice from me:

Signed:           **Keith Poulson**

Name:           Keith Poulson

Position:       Scheme Actuary

Date:           27/09/2024

# Annex - Funding method and assumptions at 30 April 2022

The Trustee and the Employer have agreed to use the following funding method and funding assumptions to determine the Technical Provisions as at 30 April 2022. Unless stated otherwise the same method and assumptions have been used to determine the Recovery Plan.

## Funding Method

The funding method will be the Projected Unit method, using a three year control period.

## Funding Assumptions

The key assumptions are:

Price inflation	The assumption is derived from the difference between the market yields on long-dated fixed-interest and index-linked gilts less an inflation risk premium of 0.1% p.a. at all terms.
Investment return pre-retirement	The UK fixed interest forward gilt yield curve plus 1.75% p.a.
Investment return post-retirement	The UK fixed interest forward gilt yield curve date plus 0.5% p.a.
Pension increases in payment	Pension increase assumptions are derived from the RPI assumption based on stochastic modelling to allow for minimum and maximum annual increases and using best estimate views of future inflation uncertainty. As at 30 April 2022 the up /(down) forward inflation volatility parameters at 5, 10, 15 and 20 years were: 1.6%/(0.9%); 1.9%/(1.6%); 2.2%/(1.7%) and 2.4%/(1.7%)
Pension increases in deferment	Set in line with RPI
Mortality based table	102% of SAPS S3 Light tables
Mortality future improvements	In line with CMI 2021 core projections with a long-term rate of improvement of 1.50% pa and A parameter of 0.5%
Marital status	88% of males and 75% of females are assumed to be married (or have a qualifying dependant) at retirement or earlier death. Males assumed to be 3 years older than their partner. Females assumed to be 1 year younger than their partner
Early retirements	All members retire at normal retirement age
Proportion of pension exchanged for cash	Assumed 20% of pension commuted for cash assuming a commutation factor at age 65 of 13.9
Discretionary benefits	No allowance
Expenses	No allowance – the Employer bears the administration and management costs and expenses (including PPF levy and other levies) of the Scheme (other than expenses connected with the investment of Scheme funds, which are paid from the Scheme and are allowed for in the investment returns set out above)
Expected return on assets used in Recovery Plan	Allowance may be made for the expected outperformance of the Scheme's assets compared to the discount rate. For the valuation at 30 April 2022 assets were assumed to return 2.5% p.a. above the yield on the UK fixed interest forward gilt yield curve