CLIFFORD CHANCE

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.

The Trustee, with support from its professional advisers, remains committed to closely monitoring the Scheme's investments, identifying and managing risks as far as possible and acting in the best interests of our members. The Trustee reviews the underlying investment on a regular basis to ensure that they continue to meet the Scheme's long-term objectives and our members' needs.

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.

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. 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 2022 review. At each review the Trustee and the Employer (Clifford Chance LLP) 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 the Employer 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 typically 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 2022, together with the updated position, on a consistent basis to that used in 2022, at 30 April 2023 and 30 April 2024 are shown below:

	30 April 2022	30 April 2023	30 April 2024
Assets	£614 million	£443 million	£434 million
Amount assessed as needed to provide benefits ('Liabilities')	£812 million	£537 million	£505 million
Deficit	£198 million	£94 million	£71 million
Funding Level	**76%**	**82%**	**86%**

Since the Scheme had fewer assets than liabilities (a funding deficit) at the 30 April 2022 valuation, a Recovery Plan has been agreed between the Trustee and Employer which sets out how the deficit will addressed. In the year to April 2024 the Employer made contributions of £27M to help address the deficit. Future annual payments increase annually in line with inflation. In addition, the Employer pays the expenses of operating the Scheme (other than Scheme investment expenses).

Since the 30 April 2022 formal valuation the funding position has improved significantly as increasing bond yields in the UK have reduced the value of the liabilities to a greater extent than the corresponding reduction in assets. In addition, the deficit contributions paid have helped to reduce the deficit.

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

Each time the Trustee undertakes a formal valuation to assess 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.

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. At 30 April 2024, the assets of the Scheme's Final Salary Section were invested in the following asset classes (target allocation in brackets):

Shares in companies	15%	(15%)
Bond funds	6%	(5%)
Commercial property	8%	(10%)
Diversified Growth Funds	15%	(15%)
Infrastructure	12%	(10%)
Liability Driven Investments	42%	(45%)
Cash and Net Current Assets	2%	(0%)
Total	**100%**	

Note the Liability Driven Investment allocation includes synthetic equity exposure of around 5% of the total assets.

Terminology explanation

Liability Driven Investment (sometimes referred to as LDI) is an approach to investing a scheme's assets, using a range of bond based investments, in a way that closely matches the liabilities of that scheme. The aim is to ensure that any changes in asset values as a result of changes to interest rate or inflation expectations are in the same direction and of a similar size to any changes in a scheme's liabilities, to add stability to the funding position of the scheme.

Equities are shares in companies. Synthetic equities are equity derivative contracts which are used to achieve a similar investment exposure as investing in traditional equities with less cash allocated to the investment. The synthetic equity exposure is a measure of the level of exposure to underlying equity markets.

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 the Employer 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 the Employer having to contribute more money.
- The Employer pays the future expenses of running the Scheme on an annual basis.

If the Employer 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" – see more information on this below.

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

Please note that we are required to include this information in this member update. Winding up the Scheme is not being considered and as an event is considered unlikely.

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 LLP 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. This is referred to as the solvency liability. The solvency shortfall is the amount by which the solvency liability exceeds the Scheme's assets.

At 30 April 2022, there was an estimated solvency shortfall of £623 million. The solvency position has improved materially since the valuation date and at 30 April 2024 the estimated solvency shortfall had reduced to around £260 million.

Whilst the solvency position has improved over recent years the solvency liability remains 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 liabilities, as compared to the approach that is agreed between the Trustee and the Employer for determining the contributions needed to enable the benefits to be paid from the Scheme as they become due.

If this changed and the Scheme were to be wound up, it may be the case that 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 funding 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 the Employer 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**

continued overleaf

Pension fraud

Pension fraud has become an area of increasing concern, especially now that Scheme members have more options than ever before for what to do with their pension savings and so much financial activity takes place online.

Pension liberation is a particular type of scam where a company may contact you to help convert your pension savings into cash or income before you retire. Typically, however, all would not be as it may first appear:

- The company will take a significant amount of your savings as its commission for arranging the payment.
- Pension schemes receive tax advantages on the understanding that you will receive the money in later life. If you draw this money before the legal minimum age for receiving pension (generally age 55, unless you are in ill health), you will have to pay tax penalties based on the whole amount – not just the savings left after commission.

The likely reality is that you would be left with a fraction of the pension savings you had before taking up the offer.

In extreme cases, pension scammers have been able not just to make money from misleading individuals into accessing their benefits early – but even to steal their entire savings.

Some criminals have been able to take advantage of people not fully understanding their choices, even suggesting in e-mails or correspondence they might be linked to Pension Wise, the Government's dedicated guidance service about the options.

You can read more about pension scams, including suggested ways to protect yourself from them, on the **MoneyHelper** site. The Financial Conduct Authority also includes further information about scams on its **ScamSmart** website.

How to avoid becoming a victim

- Never give financial or personal details to a cold caller.
- Look online for the company's background information. Financial advisers should be registered with the **Financial Conduct Authority**.
- Request a statement of how your pension will be paid in retirement and ask who will look after your money in the meantime.
- Speak to an independent financial adviser.
- Do not allow anyone to rush you into transferring your pension.

Signs of pension fraud

- Unsolicited text messages or phone calls.
- Offers to transfer your pension into cash before age 55.
- Forceful advisers who offer upfront cash incentives.
- Companies offering you a loan, saving advance or cash back from your pension.
- No information about potential tax consequences.
- A lack of documentation about the pension arrangement.

Member tracing

Every few years the Trustee use an agency to check the address they hold on record for each member of the Scheme is correct. Currently the Trustee uses ITM to undertake this on their behalf. This exercise was completed in 2021, but if you do change address please let the Trustee know by writing to the email address set out below. If you would prefer to be contacted via email please also let the Trustee know by emailing:
HRDirectUK@CliffordChance.com

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:
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, and the Actuarial Valuation as at 30 April 2022.

Alternatively, you can get further information regarding the Scheme by emailing **HRDirectUK@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.

In addition to letting us know of any change in your address, please also let us know 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 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: **https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-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 above).