Clifford Chance Pension Scheme

Actuarial Valuation as at 30 April 2010

Prepared for
The Trustee of Clifford Chance Pension Scheme

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1 Introduction

1.1 Background

I am pleased to present to you as Trustee of the Clifford Chance Pension Scheme ("the Scheme") my report on the actuarial valuation of the Scheme as at 30 April 2010 ("the effective date"). I have carried out this valuation in accordance with Clause 17.1 of the Scheme's Trust Deed and Rules.

This report complies with version 9.0 of GN9: Funding Defined Benefits - Presentation of Actuarial Advice adopted by the Board for Actuarial Standards. The valuation process and report also falls within the scope of Technical Actuarial Standard R: Reporting Actuarial Information ("TAS R"), Technical Actuarial Standard D: Data ("TAS D"), Technical Actuarial Standard M: Modelling ("TAS M") and Technical Actuarial Standard P: Pensions ("TAS P") issued by the Board for Actuarial Standards.

It is a legal requirement that a copy of this report is sent to all participating employers within 7 days of receipt. I would be grateful if you would ensure this is done.

This report when taken with the following:

- Legislative Background Report issued in June 2010
- presentation given at meeting of 29 June 2010
- Funding Advice Report dated 20 April 2011

provide you with all relevant parts of the valuation process and I confirm that the process complies with the requirements of TAS R. I also confirm that the process complies with the requirements of TAS D, TAS M and TAS P.

1.2 Purpose

An actuarial valuation must be undertaken every year or at least every three years with interim reports for intervening years. The main purposes of the valuation are to:

- determine the Scheme's funding position against the Statutory Funding Objective. This requires the Scheme to have sufficient and appropriate assets to meet its technical provisions (broadly the present value of the liabilities). This is done by comparing the Scheme's assets with the value of benefits earned by all categories of members up to the effective date. The certification of the technical provisions is in Appendix 4 and is a required part of this process; and
- determine the contribution rate that needs to be paid to the Scheme in future. This will comprise the contributions to meet the cost of future accrual together with contributions to meet any deficit. As set out in section 5.1 this is a long-term estimate as the ultimate cost of the benefits will depend on the actual experience of the Scheme.

These parts of the valuation exercise are covered in section 5. Section 6 covers an additional requirement, that of assessing the solvency of the scheme, assuming that it had been discontinued at the effective date with no further accrual of benefits and benefits bought out with an insurance company.

1.3 Regulatory framework

The funding provisions under part 3 of the Pensions Act 2004 ("the Act") and the Occupational Pension Schemes (Scheme Funding) Regulations 2005 ("the Scheme Funding Regulations") require that:

- Each occupational pension scheme must comply with the Statutory Funding Objective. This means that the Scheme must have "sufficient and appropriate assets to meet the scheme's technical provisions", namely the present value of the liabilities. You are required to put in place a "Recovery Plan" if the assets are temporarily insufficient.
- You must have in place a Statement of Funding Principles, covering your policy in relation to funding. This has to be agreed with the Employer. The statement must include detail on how the Statutory Funding Objective will be met (including details of the method and assumptions for calculating the "technical provisions"), the period over which any deficit will be corrected and details of any secondary funding objective. A copy of your Statement of Funding Principles as at 30 April 2010 is included in Appendix 3.
- An actuarial valuation must either be undertaken every year or at least every three years with interim reports for intervening years.

In addition, Clause 17.1 of the Trust Deed & Rules requires that an actuarial valuation of the Scheme is carried out at least every three years.

1.4 Power to set contribution rates

Rule 5.1 of the Trust Deed and Rules states that the Employer must set the contribution rate with your agreement after consultation with the actuary. However, under the provisions of the Act and the Scheme Funding Regulations in addition to setting the basis for calculating the technical provisions, which you have already done, it is your responsibility to draw up the Schedule of Contributions and any Recovery Plan having consulted with and obtained the agreement of the Employer.

Consequently, notwithstanding the provisions in the Trust Deed and Rules it is now your responsibility to set the contribution rate (having obtained the Employer's agreement.)

1.5 Timescales

The Act requires that all stages of the process are complete 15 months after the valuation date (known as the "effective date" of the valuation), ie on or before 31 July 2011.

1.6 Disclaimer

Throughout the valuation, I have relied on the accuracy of the information provided by or on behalf of you as the Trustee.

This report has been prepared to enable me to provide information to you as Trustee as set out above and for no other purpose. The Trustee are the sole users of this report. To the fullest extent permitted by law, neither I nor Aon Hewitt Limited accept or assume responsibility to anyone other than the Trustee for the content of this report.

2 Intervaluation period and events since the effective date

2.1 Intervaluation period

I carried out the previous actuarial valuation as at 30 April 2007.

At the previous valuation, the Employer and Trustees agreed that the Employer should pay contributions to the Scheme at a rate of 10.4% pa of Pensionable Salaries plus £4.7m pa (increasing in line with inflation). Since then, the Employer has contributed at the following rates.

From	To	Employer
1 May 2007	30 April 2008	10.4% of pensionable Salaries plus £4.7m
1 May 2008	30 April 2009	10.4% of pensionable Salaries plus £4.89m
1 May 2009	30 April 2010	10.4% of pensionable Salaries plus £4.90m

In addition, the Employer has made contribution in respect of members of the Money Purchase Section of the Scheme in accordance with the rules of that section.

Over the period the only change to benefits I am aware of is the addition of a Scheme specific Upper Earnings Limit (UEL) which, since 2008, has been applied to benefits accrued prior to 30 April 2008.

2.2 Events since the effective date

Since the effective date the Employer has proposed to close the Scheme to all future accrual. Given salary escalation is already limited to RPI, closure will have little impact on the liabilities accrued to date. I can therefore confirm that my advice in this respect is unchanged whether the Scheme is closed to future accrual or not.

2.3 Inflation Indexation

Whilst the government has announced that future statutory increases to pensions will be linked to the Consumer Price Index (CPI), rather than the Retail Price Index (RPI) I understand that all benefits under the Scheme will remain referenced to RPI. I have therefore taken no account of this change in my advice or the results. All references to inflation should therefore be regarded as referring to RPI.

3 Data

3.1 Introduction

In this section, I have set out summaries of the data I have used in the valuation. This data relates to the membership of the Scheme and also the assets held by the Scheme. The benefits of the Scheme used for the purposes of this valuation are summarised in Appendix 1. A full description is given in the trust documentation. I have made no allowance for discretionary benefits to be granted with the exception of the Scheme specific Upper Earnings Limit (UEL) which, since 2008, has been applied to benefits accrued prior to 30 April 2008.

3.2 Membership

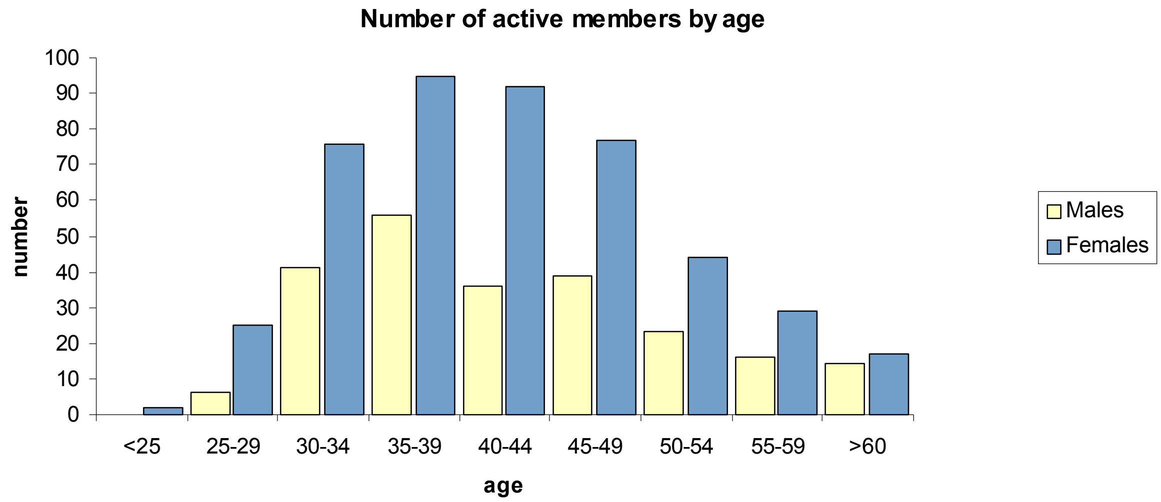
Membership data was provided to me on 8 April 2010 by Andrew Darlison of Clifford Chance on your behalf and is summarised in the remainder of this section. The data is used to calculate the benefits earned by each member of the Scheme at the effective date. In particular it was projected to 30 April 2010, allowing for known pension increases applied at 1 May 2010.

The data excludes Money Purchase members of the Scheme and any Additional Voluntary Contributions (AVCs) held by members. Correspondingly, the assets relating to the Money purchase section and any AVCs have been excluded.

Active members

The total number of active members was 688 and total Pensionable Salaries was £37,527,667 pa at the effective date. The average age of the active members, weighted by accrued pension, was 44 years.

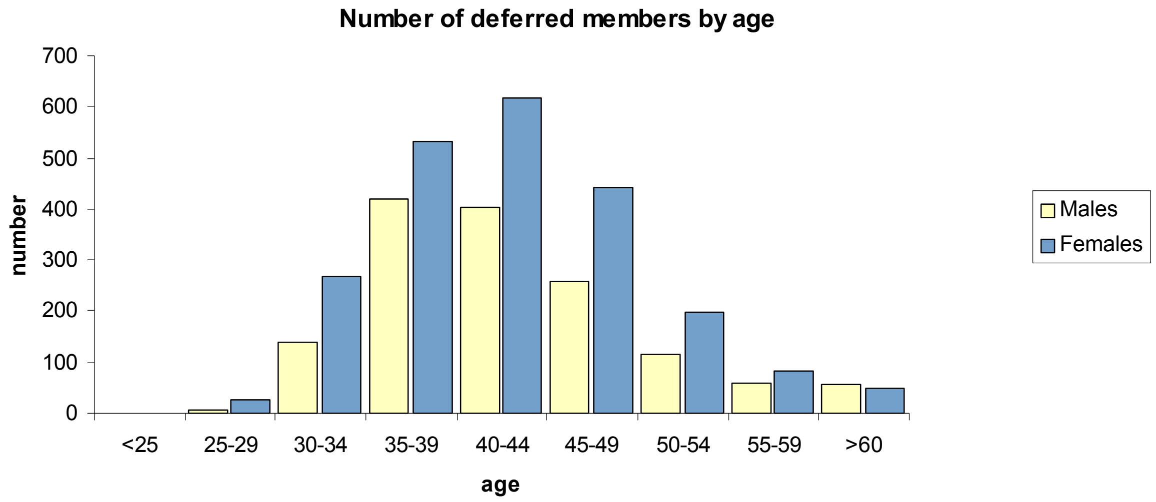
At the previous valuation there were 1,138 active members with total Pensionable Salaries of £59,937,409 pa. The average age of the active members at that time was 42 years (again weighted by accrued pension).



Deferred pensioners

The total number of deferred members was 3,668 and the total of pensions accrued at the date of leaving was £17,781,641 pa. The average age of the deferred members, weighted by pension, was 44 years.

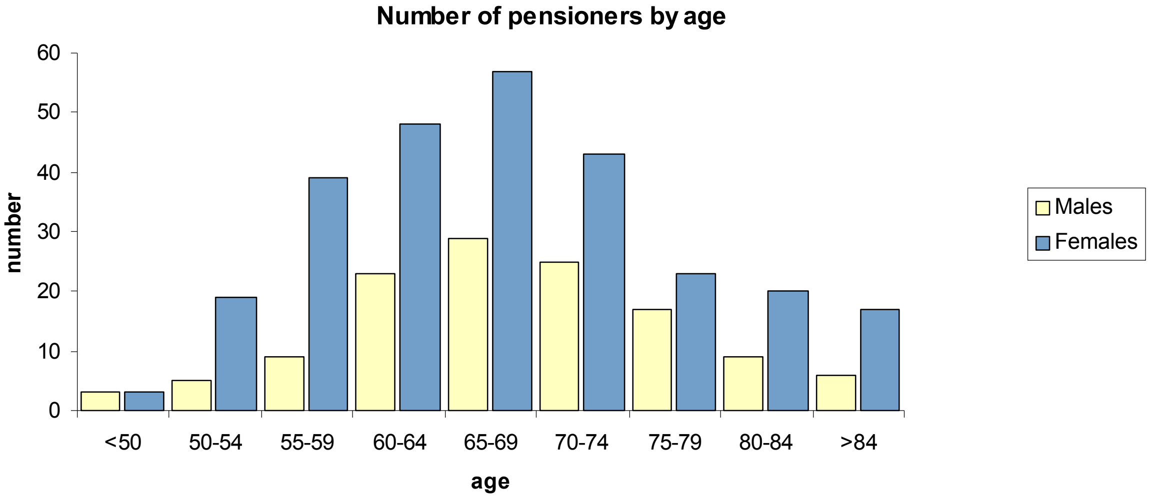
At the previous valuation there were 3,334 deferred members with total pensions accrued at the date of leaving of £14,007,606 pa. The average age of the deferred members at that time was 41 years (again weighted by pension).



Pensioners

The total number of pensioners was 395 and the total of pensions payable was £2,109,326 pa at the effective date. The average age of the pensioners, weighted by pension, was 68 years.

At the previous valuation there were 316 pensioners with total pensions payable of £1,636,677 pa. The average age of the pensioners at that time was 66 years (again weighted by pension).



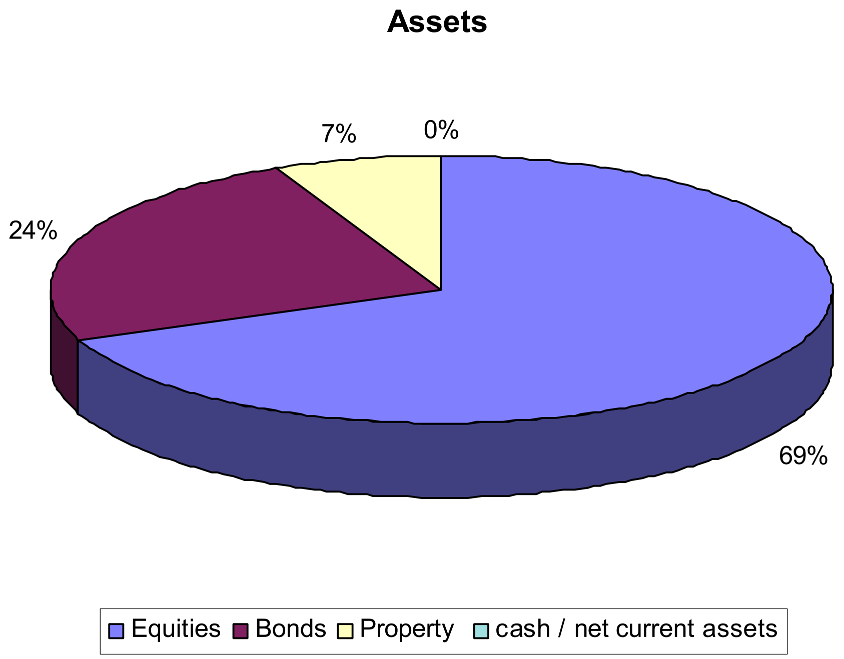
3.3 Assets

I have received the audited accounts for the Scheme as at the effective date.

At the effective date, the Scheme's assets were invested with Legal & General, Majedie, Prudential, BlackRock, Schroders, Bedlam, JP Morgan, Walter Scott and Aegon Asset Management.

The total market value of the Scheme's assets at the effective date was £215,363,000. This excludes any assets held in respect of the Money Purchase section or Additional Voulntary Contributions (AVCs). At the previous valuation, the total market value of the Scheme's assets in respect of the Final Salary Section was £185,056,000.

The distribution of the Scheme's assets (excluding AVCs) is summarised in the following chart.



4 Funding objectives

4.1 Introduction

The money to pay Scheme benefits is expected to come from:

- the existing assets of the Scheme at the effective date;
- future contributions from the Employer; and
- the investment return on existing assets and future contributions.

4.2 The Statutory Funding Objective

As stated in section 1.3, the Act requires that the Scheme has “sufficient and appropriate assets to cover its technical provisions”. Furthermore if there is a shortfall of assets a Recovery Plan must be put in place to restore full funding.

The Scheme Funding Regulations require you to determine (and include within the Statement of Funding Principles) the method and assumptions by which the technical provisions are determined, having taken my advice. Having received the necessary advice, you have produced a Statement of Funding Principles setting out your approach, a copy of which is included in Appendix 3.

Legislation allows the Scheme to have a temporary shortfall of assets over the amount needed to meet its technical provisions. Liabilities will be met from the assets but, in addition, contributions will need to be paid by the Employer to meet the shortfall in assets. Provided the Employer is able to make these payments, then benefits will be paid in full.

The position would be different if the Scheme were to discontinue with no further money available from the Employer. In these circumstances, it is only the assets of the Scheme at that point that would be available to provide benefits.

Having sufficient and appropriate assets to cover its technical provisions does not mean that the Scheme would have sufficient assets to meet the cost of securing benefits. The extent to which the assets of the Scheme are enough to meet the cost of securing benefits is important and is examined in the “solvency” valuation in Section 6.

5 Valuation Results

5.1 Introduction

To meet the funding objective discussed in Section 4 you have determined the method and assumptions to use as set out in the Statement of Funding Principles in force at the date of signing this report, shown in Appendix 3. This includes a comprehensive list of the economic and demographic assumptions, although for ease of reference I have also summarised the main assumptions in this section.

The method and assumptions you have set for the valuation affect the timing of contributions, not the actual cost of the Scheme. The ultimate cost of the Scheme will depend on the benefits paid, which in turn depend on the actual experience of the Scheme. If the method and assumptions prove to be too cautious, this simply means that more than necessary is paid into the Scheme in the early years, so that less can be paid later; the converse applies if the method and assumptions are too optimistic. The ultimate cost of the Scheme can only be known when the last benefit is paid.

5.2 Method

You have chosen to calculate the technical provisions using the Projected Unit Method (PUM) with a control period of three years.

This is the same as that used for the valuation as at 30 April 2007.

Past service

First, service prior to the effective date (past service) is considered. Liabilities for active members (based on service to the effective date), deferred pensioners and current pensioners are expressed as a capital value by discounting the assumed benefit payments back to the effective date. It is assumed that the Scheme is ongoing so that active members' salaries are assumed to increase (albeit capped as appropriate) until they retire or, if earlier, the date they leave or die.

Future service

Second, the benefits earned by active members in the three years after the effective date, incorporating salary growth (albeit capped as appropriate) to their retirement (or, if earlier, the date they leave or die), are expressed as a capital value and divided by the total pensionable payroll over the same period to give a future service contribution rate.

Funding level adjustment

Any surplus (deficit) that emerges from the past service calculations is usually spread over a suitable period and deducted from (added to) the future service contribution rate, to which is added the premiums for death-in-service benefits and expenses (where appropriate) to give the total contribution rate.

Asset valuation

The assets are taken at their market value.

Stability of the contribution rate

Under the PUM, the future service contribution rate is sensitive not only to the assumptions but also to the age, sex and earnings profile of the active members.

With the Scheme now closed to new entrants, it would be expected that the average age of the active membership would increase. By considering the benefits earned by active members in the three years after the effective date, the effect of this ageing over this period is fully taken into account. However, thereafter the effect would be to increase the future service contribution rate, although it would be applied to a total pensionable payroll that would ultimately be falling.

5.3 Assumptions

The assumptions can be broadly split into two categories – economic and demographic. Following my earlier advice, you have chosen these assumptions to take account of market conditions at 30 April 2010. This is consistent with the market valuation of assets as set out above. The main assumptions are summarised below.

Assumption	Current valuation basis 30 April 2010	Previous valuation basis 30 April 2007
Price inflation	3.65% pa	3.15% pa
Salary inflation	3.65% pa	3.15% pa
Investment return pre-retirement	7.35% pa	7.00% pa
Investment return post-retirement	5.00% pa	5.25% pa
Pension increases in payment		
- pension accrued pre 5 April 2005	3.50% pa	3.15% pa
- pension accrued post 5 April 2005	2.50% pa	2.50% pa
Pension in deferment increases	3.65% pa	3.15% pa
Mortality	SAPS Light tables with CMI 2009 improvements and a long term rate of improvement of 1.25% pa	PNA00 tables projected according to each member's year of birth with mortality rates reduced by 10% and allowance for future mortality improvements in line with Medium Cohort projections
Retirement age	65	65
Marital status	93% married at retirement or earlier death	93% married at retirement or earlier death
Age difference	Husbands 3 years older than wives	Husbands 3 years older than wives
Withdrawals	10% pa for all ages up to 50 0% pa for ages above 50	10% pa for all ages up to 50 0% pa for ages above 50
Salary Scale	No allowance	No allowance
Early Retirements	All members retire at normal retirement age	All members retire at normal retirement age
Expenses	Paid by the Company	Paid by the Company
Proportion of pension exchanged for cash	Assumed 20% of pension commuted for cash at factors mid way between current factors and cost neutral on funding basis	No allowance
Discretionary Benefits	No allowance other than in respect of the Scheme specific UEL	No allowance

Details regarding the changes in the assumptions between 2007 and 2010 are detailed in my Funding Advice Report dated 20 April 2011.

5.4 Results

Past service

The table below sets out the results of the valuation based on the funding objective described in Section 4.2. The results from the previous valuation are shown for comparison purposes.

	30 April 2010 £000s	**30 April 2007 £000s**
Actuarial value of past service liabilities		
Active members	55,742	60,859
Deferred pensioners	189,540	122,588
Current pensioners	42,355	31,563
Total past service liabilities	**287,637**	**215,011**
Total value of assets	**215,363**	**185,056**
Past service surplus / (deficit)	**(72,274)**	**(29,955)**
Funding Level	**75%**	**86%**

The assets and the corresponding liabilities for the Money Purchase Section and AVCs have been excluded in this section.

Future service

The contribution rate, assuming contributions are payable monthly in arrears from 1 May 2010, required to fund for the future accrual of benefits for active members is 12.25% of Pensionable Salaries.

The death-in-service lump sum is insured and the cost of this is met separately by the Employer. In addition the Employer meets the cost of Scheme expenses (including the PPF Levy but excluding investment management expenses).

Recovery Plan

As set out in your Statement of Funding Principles (copied at Appendix 3) you have determined that any deficit be removed over a period of 7.5 years by an annual payment increasing in line with inflation. Your existing Recovery Plan shows that the Employer contribution rate is 10.4% pa of Pensionable Salaries plus £4.7m pa increasing in line with inflation. This now needs to be revised in light of the valuation results.

The results of this actuarial valuation show that there is a deficit of £72.3m.

Accordingly the employer contribution rate with effect from 1 May 2010 will be as follows.

Employer future service rate	12.25% pa of Pensionable Salaries
Adjustment for deficit	£10.925m pa increasing in line with inflation
Total Employer rate	**12.25% pa of Pensionable Salaries plus £10.925m pa increasing in line with inflation**

Pensionable Salaries are defined in Appendix 1.

Once the deficit has been removed the total Employer rate would revert to 12.25% of Pensionable Salaries as above, should the Scheme remain open to future accrual. However, this would be reviewed at future valuations and would be dependant upon the assumptions and membership profile of the active members at future valuations.

Reasons for the change in financial position

The change in the Scheme's financial position since the previous valuation is the net result of:

- the differences between actual experience and the assumptions made at the previous valuation; and
- any change in the method or assumptions.

The main items that have resulted in the increased deficit are:

- the change in the methods and assumptions underlying the valuation. Details of the method and assumptions underlying this valuation are given in section 5.3;
- the Scheme's assets have achieved an investment return which is lower than the assumed rate at the previous valuation.

The effect of these items has been partly offset by the contributions paid in excess of the cost of the benefits accruing.

The table below shows a reconciliation.

	£m
Surplus / (Deficit) at 30 April 2007	**(30.0)**
Interest on deficit	(6.5)
Investment return lower than assumed	(31.0)
Contributions higher than cost of accrual	16.1
Salary increases lower than assumed	2.7
Increase in deferment lower than assumed	2.9
Change in economic assumptions	(26.5)
Change in demographic assumptions	0.2
Other items	(0.2)
Surplus / (Deficit) at 30 April 2010	**(72.3)**

5.5 Sensitivity of Results

The results of the actuarial valuation depend on all the assumptions made but, as previously advised, some assumptions are more critical than others.

The table below shows the effect of changing the more critical assumptions the past service deficit.

Assumptions	**Surplus/(Deficit) £m**
Unchanged	(72.3)
Pre-retirement investment return decreased by 0.25% pa	(83.5)
Post-retirement investment return decreased by 0.25% pa	(81.7)
Mortality as per valuation but with an underpin of 1.5% pa (instead of an underpin of 1.25% pa)	(77.4)

6 Solvency

6.1 Introduction

The scheme funding provisions require that I provide an estimate of the solvency position of the Scheme on the effective date, that is the Scheme's funding position if it had been discontinued at the effective date with no further accrual of benefits and benefits bought out with an insurance company. For this purpose the liabilities need to be valued either in accordance with the principles adopted by an insurance company for determining the cost of buying out the benefits, or on the assumption that benefits were to be secured with an insurance company and based on an actual quotation.

6.2 Method and assumptions

To assess the solvency level of the Scheme and in the absence of an actual quotation from an insurance company I have used the principles adopted by insurance companies. In particular, I have used discount rates based on the yields on long-dated gilts adjusted as follows:.

- Pensioners: Redemption yield on gilts, less 0.25% pa
- Non-pensioners: Redemption yield on gilts, less 0.75% pa

The mortality assumptions I have used include an appropriate allowance for future increases in longevity. I have also included a realistic allowance for expenses.

A comprehensive list of the economic and demographic assumptions is set out in Appendix 2.

The assets of the Scheme are taken at market value.

The estimate of the solvency level is only a guide to the actual cost of securing the benefits with an insurance company. Market changes in both interest rates and supply and demand for this type of business mean that no one estimate can be completely accurate and ultimately the true position can only be known if an exercise to secure the benefits is completed. Indeed insurance cover may not be available.

6.3 Results

Solvency level

The solvency level of the Scheme is shown in the table below.

	30 April 2010 £m	30 April 2007 £m
Discontinuance liabilities		
Active members	146	140
Deferred pensioners	526	299
Current pensioners	50	36
Expenses	4	5
Total liabilities	**726**	**480**
Total value of assets	**215**	**185**
Surplus / (Deficit)	**(511)**	**(295)**
Funding Level	**30%**	**39%**

The assets and the corresponding liabilities for the Money Purchase Section and AVCs have been excluded in this section.

The funding level on the solvency basis has decreased since the 2007 valuation as a result two main factors:

1) as a result of a reduction in gilt yields, on which all insurance company buy-out terms are based.

2) General hardening of buy-out terms including increasingly prudent longevity assumptions.

The cost of purchasing annuities for non pensioners is particularly expensive. Given the immaturity of the Scheme this results in a particularly poor funding position on the solvency basis.

Impact of priority order

The following table illustrates the approximate percentage of the benefits payable to each class of Scheme beneficiary, based on the above estimate of the solvency level, in the event that the Scheme was wound up at the valuation date. The table shows the order that the payments would be made.

Priority class	**Value of liabilities £m**	**Balance of assets available £m**	**Percentage cover for liability class**
Market value of assets less expenses (excluding money purchase assets)		**211**	
a) Insured pensions in payment which were secured before 6 April 1997 and cannot be surrendered - including increases	0	211	n/a
b) Liability for benefits up to PPF level (including increases payable under the PPF)	478	211	44%
c) AVCs provided in defined benefit form to the extent not covered in a) or b)	0	0	n/a
d) All remaining liabilities	248	0	0%

Future solvency level

It is also important to consider how the contribution rate set out in Section 5.4 will impact on the solvency position over time.

In order to consider this I have projected the solvency position in three years time assuming experience in the intervening period is in line with the assumptions set out in Section 5.3.

I estimate that, on these assumptions, the contributions set out in Section 5.4 will produce solvency funding levels for each liability class at 30 April 2013 as set out in the following table.

Priority class	**Percentage cover for liability class**
a) Insured pensions in payment which were secured before 6 April 1997 and cannot be surrendered - including increases	n/a
b) Liability for benefits up to PPF level (including increases payable under the PPF)	56%
c) AVCs provided in defined benefit form to the extent not covered in a) or b)	n/a
d) All remaining liabilities	0%

This assessment does not take account of possible future market changes in both interest rates and other market forces that affect the cost of securing the benefits with an insurance company. Consequently, even if the above assumptions were borne out in practice, the position at the next effective date may be very different from that assessed above.

As the liabilities on the buy-out basis (or solvency measure) are determined using gilt yields, but the assets are invested predominately in equities, the solvency level overall (and deficit) will prove to be very volatile. This will have a particular impact on the lowest priority classes and should be considered carefully when the Trustee determine the appropriate asset allocation.

6.4 Implications of Statutory Funding Objective for Scheme Solvency

If the Statutory Funding Objective was exactly met as at 30 April 2010 I estimate that only 40% of the benefits would have been covered on a solvency / buy-out basis.

6.5 Role of the Pension Protection Fund (PPF)

The figures in section 6.3 above illustrate the position of the Scheme on wind-up before any Employer debt is recovered. If the Employer were to become insolvent the Scheme would be considered for inclusion in the PPF. This would involve a detailed assessment by the Board of the PPF, including a valuation of its funding position. Essentially, if the assets are not sufficient to cover the cost of securing benefits at the level of the compensation offered by the PPF then the assets and liabilities would be taken into the PPF and members paid compensation in line with the PPF provisions. Based on the funding position as set out in section 6.3 above, the funding position was such that, had this occurred on the 30 April 2010, it would be expected that the Scheme would be taken into the PPF and members paid compensation in line with its provisions.

You should note that this statement is only an estimate based on the above position. If insolvency does occur the position may be somewhat different.

7 Volatility and investment issues

As required under GN9 I have commented below on the sensitivity of funding to future investment market changes. I suggest that following the completion of this valuation a high level review of the Scheme's investment strategy is undertaken.

7.1 Market value approach

Using a market value of assets and market-related assumptions mean that the valuation results shown in section 5 are likely to be volatile. I allow for movements in the equity market by adjusting the pre-retirement discount rate. However, if there was a significant fall in the equity market, some of the fall may feed through to a reduction in the funding level of the Scheme. The extent of the appropriate adjustment in the funding level would depend on the reasons for the change in the market. For example, if there was a market fall due to fundamental economic changes – a "re-rating" – then much of that fall would be reflected in a reduced funding level of the Scheme. The same logic can be applied to significant rises in the equity market.

Having said this, volatility on any funding basis can be reduced by holding the same assets as underlie the investment model used to value the liabilities.

7.2 Investment model

Statutory Funding Objective

For the Statutory Funding Objective, the underlying investment model that assumes that the Scheme will hold bonds to back the pension in payment liability and equities to back the active members' and deferred pensioners' liability up to retirement.

Solvency

The investment model underlying the solvency estimate in Section 6 is to hold long-dated government bonds for all of the Scheme's liabilities.

Matching investment strategy

The investment models are best seen by comparing the actual holding of the different asset classes with the "matching" requirement. I have done this for the Statutory Funding Objective basis and solvency basis and the results are shown in the table below.

Asset class	**Actual £m**	**Matched**	
		Statutory Funding Objective £m	**Solvency £m**
Equities and Property	164.0	183.7	-
Bonds	51.2	31.7	215.4
Cash & Net Current Assets	0.2	-	-
TOTAL	**215.4**	**215.4**	**215.4**

From the above it is clear that a degree of mismatching exists.

8 Summary

In accordance with the Statutory Funding Objective, the assets cover 75% of the Scheme's liabilities and the deficit is £72,274,000.

The future service contribution rate for the Employer has been calculated as 12.25% pa of Pensionable Salaries. This rate excludes an allowance for expenses (including PPF levies) and death in service premiums as the Employer meets these separately.

The Statement of Funding Principles allows for a recovery period of 7.5 years. Your existing Recovery Plan shows that the Employer contribution rate is 10.4% pa of Pensionable Salaries plus a £4.7m pa increasing in line with inflation. This now needs to be revised in light of the valuation results. If the deficit is removed by 31 October 2017 then the Employer contribution rate is 12.25% pa of Pensionable Salaries plus a £10.925m pa increasing each year in line with inflation, should the Scheme remain open to future accrual.

The next valuation of the Scheme must be carried out with an effective date no later than 30 April 2013, although interim reports of the position as at 30 April 2011 and 30 April 2012 will also be required.

Keith Poulson

Signature

Name	Keith Poulson
	Fellow of the Institute and Faculty of Actuaries
Date	28 April 2011
Address	Aon Hewitt Limited, Carnegie House, 21 Peterborough Road, Harrow HA1 2AJ

Appendix 1 - Benefit summary

The Scheme is defined benefit in nature and is not contracted out of the State Second Pension. The benefits of the Scheme used for the purposes of this valuation are summarised in the following table (there is a full description in the Scheme's Trust Deed and Rules).

Benefit	Definition
Eligibility	Scheme closed to new entrants with effect from 1 January 2005. New entrants are permitted at the discretion of the Employer.
Normal Retirement Age	65
Pensionable Service	Complete years and months of Scheme membership plus any earlier service credited under previous schemes
Pensionable Salaries	Basic annual salary (limited to the Earnings Cap, which was £123,600 at the valuation date, for Post 1 June 1989 joiners) including any guaranteed bonus. For leavers after 1 May 2006, Pensionable Salary is restricted so that increases after this date are the lower of the member's actual salary increase and inflation (capped at 5% pa over the period to retirement or leaving).
Final Pensionable Salaries	Pensionable Salaries, applicable at the date of leaving, death or retirement.
Members' contributions	Nil
Normal retirement pension	i. 1/100th of the Final Pensionable Salaries below the Upper Earnings Limit for each year of Pensionable Service; plus ii. 1/60th of Final Pensionable Salary above the Upper Earnings Limit for each year of Pensionable Service
Normal retirement lump sum	Pension can be exchanged for cash in accordance with the rules of the Scheme
Early retirement	Members may take benefits from age 55 with Trustee consent; the benefit will be reduced actuarially for early payment
Pension increases (in payment)	RPI (with a maximum of 5% pa). Benefits accrued after 5 April 2005 receive pension increases of inflation capped at 2.5% pa.
Death after retirement spouse's pension	50% of the member's pension at date of death before any exchange for cash
Death after retirement lump sum	Balance of first 5 years pension instalments
Death in service spouse's pension	50% of member's pension at date of death based on service to Normal Retirement Date
Death in service lump sum	4 x Basic annual salary
Early leavers	Deferred pension increasing in line with RPI (with a maximum 5% pa)
Early leaver's death benefits	Spouse's pension of 50% of the member's pension revalued to the date of death

Since 2008 the Scheme has applied a Scheme specific Upper Earnings Limit (UEL) for benefits accrued prior to 30 April 2008.
There are no further practices of discretionary benefits being provided by either the Trustee or the Employer. The only allowance for discretionary benefits is therefore in respect of the Scheme specific UEL.

Appendix 2 - Basis for Assessing Scheme Solvency

The following assumptions have been used to assess the scheme Solvency as set out in section 6.

Discount Rates

Discount rates are based on the yields on long-dated gilts adjusted as follows:

- Pensioners: Redemption yield on gilt, less 0.25% pa – ie 4.25% pa
- Non-pensioners: Redemption yield on gilt, less 0.75% pa – ie 3.75% pa

Mortality assumptions

Base Mortality

SAPS Light tables

Mortality improvements

Projected by birth year allowing for long cohort adjustment and minimum improvements of 1.5% pa.

Pension increases in payment

Pensions which are index-linked or subject to LPI increases are assumed to increase at 3.60% . Pensions accrued after 5 April 2005 are assumed to increase at 2.30% pa.

Pension increases in deferment

Increases to pensions in deferment are assumed to increase in line with RPI and are assessed using a rate of 3.75% pa.

Expenses

Buyout expenses

- Pensioners: £300 per member
- Non-pensioners: £300 per member

Wind-up expenses

- £225 per member, plus
- £300 per non-pensioner if the option to transfer out is provided, plus
- Fixed costs of £100,000.

Other

- Proportions married: 85%
- Age of spouse: Females are on average 3 years younger than males.

Appendix 3 - Statement of Funding Principles

Statement of Funding Principles
Clifford Chance Pension Scheme

30 April 2010

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 London Limited (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, certain members and in certain circumstances Clifford Chance LLP (the "Guarantor") to contribute to the Scheme. Active members do not contribute to the Scheme (other than AVC or Money Purchase members).

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 active and deferred 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 2010 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 and the Guarantor. 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 7½ years.

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 Trustees on the advice of the actuary.

This Statement will be reviewed if either the Employer or the Trustee request 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

Since 2008 the Scheme has applied a Scheme specific Upper Earnings Limit (UEL) for benefits accrued prior to 30 April 2008.

There are no further practices of discretionary benefits being provided by either the Trustee or the Employer. The only allowance for discretionary benefits is therefore in respect of the Scheme specific UEL.

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 London Limited:

Signed on behalf of Clifford Chance London Limited:.David Ha.......................................

Name:.DAVID HARKNESS............

Position:..DIRECTOR.....................

Date:.28 April 2011.............

This statement has been agreed by the Trustee:

Signed on behalf of Clifford Chance Pension Trustees Limited:.......................................

Name:... R.T. TREMAINE

Position:......TRUSTEE DIRECTOR

Date:...28...April....2011......

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

Signed: Keith Poulson ....

Name: Keith Poulson

Position: Scheme Actuary

Date: 20 April 2011

Annex - Funding method and assumptions at 30 April 2010

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 2010. The same method and assumptions have been used to determine the future contribution rates and 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	3.65% pa
Salary inflation	3.65% pa
Investment return pre-retirement	7.35% pa
Investment return post-retirement	5.00% pa
Pension increases in payment	
- pension accrued pre 5 April 2005	3.50% pa
- pension accrued post 5 April 2005	2.50% pa
Pension increases in deferment	3.65% pa
Mortality pre-retirement	SAPS Light tables with CMI 2009 improvements and a long term rate of improvement of 1.25% pa
Mortality post-retirement	SAPS Light tables with CMI 2009 improvements and a long term rate of improvement of 1.25% pa
Marital status	93% married at retirement or earlier death, with males assumed to be 3 years older than females
Withdrawals	10% pa for all ages up to 50 0% pa for ages above 50
Early retirements	All members retire at normal retirement age
Proportion of pension exchanged for cash	Assumed 20% of pension commuted for cash at factors mid way between current factors and cost neutral on funding basis
Discretionary benefits	No allowance other than in respect of the Scheme specific UEL
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)

Appendix 4 - Actuarial Certification of the calculation of Technical Provisions

Name of scheme: Clifford Chance Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 April 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the scheme and set out in the Statement of Funding Principles dated 28 April 2011.

Signature:

Date: 28 April 2011

Name: Keith Poulson

Qualification: Fellow of the Institute and Faculty of Actuaries

Address:
Carnegie House,
21 Peterborough Road,
Harrow
HA1 2AJ

Name of employer: Aon Hewitt Limited

About Aon

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