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. It also sets out information relating to investment markets that may be of interest to both members of the final salary section and members of the money purchase section.

Financial market instability and your retirement savings

2022 saw a growing level of uncertainty surrounding the short-term outlook for the UK and global economies. Inflation rose sharply over the year, with food and energy prices soaring following Russia's invasion of Ukraine as well as continued pressure on supply chains following the global Covid-19 pandemic.

Following this, in September 2022, the initial reaction to the UK Government's 'mini budget' triggered extreme movements to UK bond markets. Markets stabilised to an extent following the change in Chancellor and Prime Minister.

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 also 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.

Impact on members in the money purchase section

The impact of recent market movements on your pension savings will depend on how you have chosen to invest and how far away you are from your target retirement date.

Most of our money purchase section members' pension savings are invested with Legal & General in a Target Date Fund. The Target Date Funds invest in a diversified portfolio of assets which change as you approach your chosen retirement age. The aim of the Target Date Funds is to manage risk whist still grow in value over time. However, given almost all different types of investment fell in value over 2022, the outcome for the majority of members has been similar, namely a reduction in the value of your pension savings. This impact is not limited to the Clifford Chance Pension Scheme.

It is important to remember that pensions are a long-term investment and that the values of different types of assets are expected to rise and fall over time. Market shocks occur however over time your pension savings are expected to grow.

If you are close to your chosen retirement date and are intending to purchase an annuity at retirement, annuity prices decreased substantially over 2022 and so a lower value of pension savings can now buy a similar or even higher level of annuity income.

The Trustee regularly monitors and reviews the funds and options offered through the money purchase section of the Scheme to ensure that they remain appropriate. We recommend, however, that wherever your current pension savings are invested, you regularly review this to make sure you are invested in the way that best meets your objectives. If unsure you should consider professional advice before making any changes to your investment choices. If you don't have a financial adviser, please see the 'Getting Advice' section at the end of this statement for further information.

Impact on members in the final salary section

The market volatility over 2022 affected the value of both the Scheme's assets and liabilities, however overall the volatility has not had an adverse impact on the security of benefits in final salary section of the Scheme. Due to the Scheme's robust investment strategy the funding position improved over 2022.

Due to the nature of final salary benefits, the amount of pension benefits being paid to pensioners will not fluctuate even when there is significant volatility in the financial markets and the Trustee has no current concerns regarding the ability of the Scheme to continue to pay benefits when they are due.

The Trustee will continue to monitor the financial position of the Scheme.

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 2019 review and the 30 April 2022 review is currently in progress. 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 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 updates at 30 April 2020 and 30 April 2021 are shown below:

	30 April 2019 Valuation	30 April 2020 Review	30 April 2021 Review
Assets	£499 million	£514 million	£598 million
Amount assessed as needed to provide benefits ('Liabilities')	£675 million	£774 million	£764 million
Deficit	£176 million	£260 million	£166 million
Funding Level	**74%**	**66%**	**78%**

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 the Employer 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 until May 2030. These contributions targeted addressing the deficit of £176 million at the valuation date plus a further £50 million to reflect the worsening position between the valuation date of 30 April 2019 and July 2020 when the valuation was completed. 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) and made an additional contribution to the Scheme of £2 million in April 2021.

The 30 April 2022 valuation is in progress and it is expected to show an improvement in the funding position compared to the position at 30 April 2021, with a further improvement between 30 April 2022 and 31 December 2022. The assumptions used to determine the funding position are still subject to final agreement between the Trustee and Employer and we will communicate the final position once the 30 April 2022 valuation is complete.

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. These assumptions are currently being reviewed as part of the 30 April 2022 valuation.

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 2022, the assets of the Scheme's Final Salary Section were invested in the following asset classes (target allocation in brackets):

Shares in companies	17%	(15%)
Bond funds	5%	(5%)
Commercial property	12%	(12.5%)
Diversified Growth Funds	19%	(17.5%)
Infrastructure	10%	(10%)
Liability Driven Investments	34%	(40%)
Cash and Net Current Assets	3%	(0%)
Total		**100%**

Note the Liability Driven Investment allocation includes synthetic equity exposure of around 35% 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 value 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 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'.

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 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.

At 30 April 2022, the estimated amount that an insurance company would require to secure the Scheme benefits was £1,237 million. This compares to the value of the Scheme's assets at the same date of £614 million, meaning there was an estimated solvency shortfall of £659 million. This is reduced from the estimated solvency shortfall of £870 million at the 30 April 2019 valuation.

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.

continued overleaf

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 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**

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, the Actuarial Valuation as at 30 April 2019 and the Scheme Explanatory Booklet.

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:
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).