

# Clifford Chance Pension Scheme

## Summary Funding Statement & Pensions Update

### What are Summary Funding Statements?

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 Clifford Chance Pension Scheme. It also sets out details of some changes to the UK pensions' environment that may be of interest to both members of the final salary section and members of the money purchase section.

### Legislative update – Budget 2015

The 2015 March and July Budgets announced significant changes to the limits above which pension benefits attract additional tax with effect from 6 April 2016.

#### Annual Allowance (AA)

The AA limits the amount of tax privileges available on pension savings paid by, or in respect of, an individual in a tax year (this includes employer contributions). The tax relief on the total value of pension accrued in a year is limited to £40,000 for the 2015/16 tax year.

From the 2016/17 tax year, individuals with earnings assessed to be more than £150,000 will be subject to an AA of less than £40,000. The AA will reduce steadily in proportion to earnings, ultimately reaching £10,000 for those deemed to be earning over £210,000. In addition the period over which the AA is assessed is being moved to be in line with the tax year and complicated transitional arrangements exist for the 2015/16 tax year.

#### Lifetime Allowance (LTA)

The LTA is the maximum value of pension (including lump sums) that can be taken from all of your pension schemes (except State pensions) without attracting additional tax. The LTA for the 2015/16 tax year is £1.25 million. From 6 April 2016 the LTA will reduce to £1 million. From 6 April 2018, the Government has indicated that it intends to increase the LTA in line with the Consumer Prices Index inflation. If the value of your benefits are already over the LTA, or are projected to exceed the LTA in the future, you may be able to protect the current higher LTA.

#### Do these changes affect final salary or money purchase section members?

The AA changes will not directly affect your benefits in this Scheme. However, if you have savings in other arrangements you may be affected.

It is possible that the changes to the LTA will affect members of the Scheme who are yet to retire. If you would like more information in order to help you assess your benefits against the LTA, or the forms of protection available, or the 2015/16 transition arrangements for the AA, please contact Andrew Darlison at the address shown at the end of this statement.

## Reminder of legislative update – Budget 2014

The 2014 Budget announced significant changes for money purchase pensions, also known as defined contribution (DC) pensions, and the way individuals can take their income in retirement.

Since April 2015, members are now able to take their DC account in full as cash, or directly as income, without the need to buy a pension or 'annuity' at retirement.

Decisions about your pension savings are complicated and there may be tax implications associated with accessing the different retirement options. As part of the proposals, a free impartial pensions guidance service, established by the Government has been made available to anyone with DC benefits, to take them through their retirement options. You can access this service on the internet at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk), or by phone on 0300 123 1047. In addition the 2014 Budget announced that the minimum age at which you may take your pension benefits from is increasing from 55 to 57 with effect from 2028. After this date it is proposed that the minimum retirement age will be set at 10 years below State Pension Age.

### Do these changes affect final salary section members?

Not directly, your pension will continue to be paid by the Scheme in line with the Scheme rules. You will have some choice about how you receive your benefits – for example, you can give up part of your pension for a tax-free cash sum at retirement. However, after that, your pension will be a set income for life.

You do have the option of transferring your final salary benefits into a DC arrangement, which would then give you the option to take advantage of the new flexibility available to DC pension holders. However, there is a requirement for individuals with pension savings valued at over £30,000 who want to transfer their DB benefits to a DC arrangement to take advice from an authorised independent adviser.

If you have built up Additional Voluntary Contributions (AVCs) in the Scheme, the same flexibility announced in the Budget for DC plans will apply to how you take cash from your AVC savings as well.

If you are in doubt as to the right course of action for you, you should seek independent financial advice. For more information, see the Government website at [www.gov.uk/government/topical-events/budget-2014](http://www.gov.uk/government/topical-events/budget-2014).

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

## 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 Additional Voluntary Contributions, 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 2013 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.

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 last formal valuation of the Scheme was undertaken at 30 April 2013. The result of this review, together with the annual updates at 30 April 2014 and 30 April 2015 are shown below:

	Position as at 30 April 2013 valuation	Position as at 30 April 2014 review	Position as at 30 April 2015 review
Assets	£308 million	£338 million	£376 million
Amount assessed as needed to provide benefits (Liabilities)	£432 million	£438 million	£502 million
Deficit	£124 million	£100 million	£126 million
Funding Level	71%	77%	75%

Since the Scheme has fewer assets than liabilities (a funding deficit), a Recovery Plan was put in place following the 2013 valuation to set out how the deficit will be paid off.

In view of the results from the 2013 actuarial valuation Clifford Chance London Limited agreed to continue the annual payments it was already making to address the deficit for a period of 11 years and 5 months from 30 April 2013. The annual payment for 2015 was £12.8 million and the payments increase annually with inflation. In addition Clifford Chance London Limited pays the expenses of operating the Scheme (other than Scheme investment expenses).

The funding deficit has increased since the last annual update at 30 April 2014 by around £26 million. Since the last formal valuation as at 30 April 2013 the funding deficit has increased slightly by approximately £2 million. The reason for these changes is unfavourable market conditions which have resulted in liabilities increasing to a greater extent than assets. This has been offset to some extent by contributions paid by the Employer and positive investment returns. The next scheduled actuarial valuation is due at 30 April 2016.

The financial position can be affected by the value of the investments held. Following each quarter, updated investment performance information is set out on the Scheme's website (access details are provided on the back of this statement) along with month-to-month movements in the unit price.

As required by law, the Trustee can confirm that no Scheme funds have been paid to Clifford Chance London Limited during the past 12 months (or at any earlier date).

It should be noted that the Pensions Regulator has powers to intervene in matters affecting the funding of the Scheme in certain circumstances. No such powers have been exercised or are expected in relation to this Scheme.

## 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. These assumptions were formally reviewed and updated by the Trustee as part of the 30 April 2013 valuation of the Scheme and resulted in the strengthening of several assumptions compared to those used under the previous 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. As at 30 April 2015, the Scheme was invested in the following asset classes (target allocation in brackets):

Shares in UK companies	32%	(30%)
Shares in overseas companies	22%	(20%)
Bonds	17%	(20%)
Commercial property	10%	(10%)
Diversified Growth Funds	18%	(20%)
Other	1%	(0%)
Total	100%	

In June 2015, the Trustee reduced its holdings in shares in UK companies and overseas companies and increased its holdings in bonds and in Diversified Growth Funds, in order to move closer to its Target Allocation. As at 31 August 2015, the Scheme was invested in the following asset classes (target allocation in brackets):

Shares in UK companies	29%	(30%)
Shares in overseas companies	19%	(20%)
Bonds	21%	(20%)
Commercial property	10%	(10%)
Diversified Growth Funds	21%	(20%)
Total	100%	

## 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 given a formal guarantee of the contributions required to be paid by Clifford Chance London Limited to the Scheme, as set out in the Schedule of Contributions produced following the 2013 actuarial valuation, and as set out in the Schedule of Contributions to be produced following the actuarial valuations in 2016, 2019 and 2022 (provided they are carried out on a consistent basis to the 2013 actuarial valuation).

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 2013, the estimated amount that the insurance company would require was £1,015 million. This amount exceeds the value of the assets held by the Scheme. The position is different from the ongoing financial position because the basis 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 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 [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA

## 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 2013 and the Scheme Explanatory Booklet.

Alternatively you can get further information regarding the Scheme by writing to:

Andrew Darlison, Pensions & Benefits Manager, Clifford Chance, 10 Upper Bank Street, London E14 5JJ

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 address set out opposite). 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

[www.ccpensionsinfocus.co.uk/documentlibrary/eow.pdf](http://www.ccpensionsinfocus.co.uk/documentlibrary/eow.pdf)