

Members' ²⁰¹⁸ Newsletter

Akzo Nobel (CPS) Pension Scheme



Welcome to the 2018 edition
of the Members' Newsletter.

This contains our review of pensions news covering both what's happened in the Scheme and other pension matters of interest to members.

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Trustees' Review 2018

Funding of the Scheme

It is a legal requirement for Defined Benefit (DB) schemes such as the Scheme to provide members with an update each year on the funding level of the Scheme.

The Scheme's funding level is usually fully assessed by way of a formal Actuarial Valuation report every three years. This was last undertaken as at 31 March 2015, so the next full valuation would have been due as at 31 March 2018. However, following AkzoNobel's decision to dispose of the Specialty Chemicals business, the Trustee brought the full valuation forward to 31 March 2017. It is possible in circumstances like this for a valuation to be done sooner than is required by law.

Our assumptions

The valuation reviews the financial position of the Scheme based on the most up-to-date market and life expectancy forecasts available. Before the valuation can start, the Trustee, with the advice of the Scheme Actuary and the agreement of the Company, needs to decide on the assumptions to be used when working out the amount of money that is needed over the lifetime of the Scheme to pay benefits as they fall due. The Actuary then carries out the valuation and presents the results to the Trustee.

As a result of the sale of the Specialty Chemicals business and the consequently smaller size of the AkzoNobel group available to support the Scheme in the future, the Company and Trustee agreed the following measures to improve the funding security of the Scheme:

- the funding basis of the Scheme has been made more conservative, which allows less risk to be taken with the assets over the long-term, thus allowing greater certainty that all benefits will be paid in full. This change also reflects the increasing maturity of the Scheme.
- the additional contributions needed to repair the larger deficit created by moving to this new funding basis have been placed into a new escrow account, meaning that the Scheme has complete security that the contributions needed to remedy that deficit will be received in full by March 2022.
- the terms of the guarantee granted to the Scheme by Akzo Nobel NV have been improved.
- as the funding position of the Scheme improves, the Trustee will continue to reduce the risk profile of the Scheme's assets.

The results of the March 2017 full valuation and 2018 funding update are shown below.

	Position as at 31 March 2017	Position as at 31 March 2018
	(£m)	(£m)
Total value of accrued liabilities	3,523	3,378
Market value of assets	3,400	3,326*
Shortfall	123	52
Funding level	97%	98%

*The 2018 asset figure does not include the money put into the new escrow account, which has further improved the funding position.

What is the escrow account?

It is a secure account set up by the Company and pledged to the Scheme from which contributions are released into the Scheme over time to help repair the funding deficit in a manner which is tax efficient for the Company.

Eliminating the funding shortfall

As part of the new 2017 Valuation agreement the Trustee and the Company agreed ways to eliminate the funding shortfall.

Deficit contributions from the Company

As part of the actions agreed at the 2015 valuation, AkzoNobel made a deficit contribution of £21m in March 2018 and for the years 2019 to 2022 these contributions will increase to £26.1m each year. The capital value of the 2019 to 2022 contributions has been secured in an escrow account, giving the Scheme certainty that those contributions will be received.

The next full valuation will be carried out at March 2020 and this will assess whether these agreed future contributions are sufficient to eliminate the deficit, when taken together with future investment returns on the Scheme's assets.

Position if the Scheme were to be wound up and other information

The estimated valuation of the Scheme at 31 March 2017 showed that if the Scheme had been wound up at that date and the benefits secured with an insurance company, the value of the Scheme's assets was estimated to be around 78% of the amount needed to secure the benefits earned to that date. On this basis, additional assets of some £965 million would have been required to secure the members' benefits in full with an insurance company. As at March 2018 the equivalent funding level had risen to 82%.

The Trustee is required by law to provide you with this information on the Scheme's solvency position. It does not imply that there is any intention to wind up the Scheme on the part of either the Company or the Trustee.

The Trustee can also confirm, as required by law, that there has not been any payment to the Company out of the Scheme's funds in the last 24 months and the Scheme has not been modified or any directions or schedule of contributions imposed on the Scheme by the Pensions Regulator.

Scheme Update

The following figures have been extracted from the Scheme accounts for the year ended 31 March 2018. Copies of the full report are available on request.

Scheme accounts

This extract is a summary of the information relating to both the Fund Account and Net Asset Statement taken from the statutory accounts which were independently audited by KPMG.

KPMG issued an unqualified audit opinion about the truth and fairness of the financial statements and an unqualified audit statement about contributions.

	2017 £000s	2018 £000s
Receipts:		
Contributions	79,326	32,013
Other income	0	7
Total receipts	79,326	32,020
Payments:		
Benefit payments	118,607	121,797
Transfers out	14,464	40,355
Administration expenses	10	24
Total payments	133,081	162,176
Fund at the beginning of the year	2,932,322	3,407,681
Excess of payments over receipts	(53,755)	(130,156)
Net return on investments	529,114	55,804
Fund at 31 March	3,407,681	3,333,329
How is the Scheme made up?		
Main Scheme Investments	3,394,729	3,323,824
AVC Scheme Assets	8,359	6,956
Net Current Assets	4,593	2,549
	3,407,681	3,333,329

Who's in the Scheme?

Active Members



Deferred Members



Pensioners and Dependants



Figures as at ■ 31 March 2017 ■ 31 March 2018

Scheme News

Trustee update In the past year there have been losses from the Trustee board and consequently we are seeking nominations to serve as a member-nominated Trustee Director.

After more than 10 years as Chair of the Trustee board, Richard Waterbury stood down as a director for health reasons. It is with great regret that we have to report that Richard has subsequently died. Mr Inder Dhingra, representing the Independent Trustee, has been appointed as Chair of the board. Paul Brennan's term of office as a member-nominated Trustee has expired and Russell Dickinson-Deane resigned after leaving employment.

The Trustee board and the Company would like to express their appreciation for the many years of dedicated service given by the retiring Trustee Directors, most especially by Richard Waterbury.

The current Trustee Directors are:

Company-Appointed Trustee Directors		Member-Nominated Trustee Directors	
Julie Shannon	Retired	Geoff Marsh	Retired (pensioner constituency)
Jill Mellor *		Jon Bradley	Retired (pensioner and deferred member constituency)
Vacancy		Vacancy	
Vacancy		Vacancy	
The Law Debenture Pension Trust Corporation p.l.c. – Independent Trustee			

*Contributing member of the Scheme

Seeking new Trustee Directors (MNDs) As a result of the vacancies arising on the board, the Trustee is looking for nominations to fill the following positions

- **one active (currently contributing) member.** The Trustee has recently reviewed the arrangements for selecting member-nominated Trustee Directors and has reduced the number of directors to be drawn from active member from two down to one.
- **one pensioner member.**
- **one member from either pensioner or deferred members.** Jon Bradley has reached the end of his term of office and has decided to stand again. However nominations from other members are welcomed.

If you are a member of the Scheme and interested in putting yourself forward for the MND vacancy please complete the enclosed nomination form and either post or email it to the address provided on the form.

All nominations must be received by 5pm on **1 July 2019**. Please note that any nomination forms received after the closing date will not be accepted.

The MNDs will be chosen by a selection panel drawn from serving Trustee Directors. The Trustee may invite candidates to attend an interview. If a candidate is not selected for interview they will be informed of this. The result of the nomination and selection exercise will be confirmed to the Scheme members in the 2019 members' newsletter.

GDPR – General Data Protection Regulations

You will be aware that the new data protection rules came into effect in May 2018. Please find enclosed with this newsletter the Scheme's privacy notice.

If you have any questions about the data the Trustee or its administrators hold in respect of you or the way it is processed, please contact the administrator using the email address shown on page 7 and your enquiry will be answered.

Changes to 'Guaranteed Minimum Pensions' – GMPs

Nearly all members of the Scheme have part of their pension built up as a GMP.

Before 1997, companies could promise to pay a GMP in place of the State Earnings Related Pension (SERPS). Members paid lower National Insurance contributions and built up GMP in their company scheme instead.

A recent court judgment has determined that GMPs provided by company schemes like the Scheme must be equalised between men and women in respect of the part of GMP earned for membership between May 1990 and March 1997, when GMPs stopped being earned. As GMP replaced State provision, it was based on the State Pension Age which, at the time, was different for men (age 65) and women (age 60). The rate at which GMPs were built up also differed for men and women.

The recent judgment requires the scheme benefits to be equalised to compensate for unequal GMP benefits but only to the extent strictly necessary to achieve this.

Not all pensions with GMPs earned after 17 May 1990 will require an adjustment to reflect equalisation. Both men and women could potentially benefit, depending on the member's individual circumstances and each scheme's provisions. Further clarification on some of the detail of the requirement to equalise and guidance from Government and regulators is also needed before the final scope of the changes to be made can be finalised.

What next?

As GMPs are a particularly complex area of pensions, it could take more than 12 months to agree the most suitable way forward for the Scheme given the current uncertainty; and some further time to un-pick and recalculate benefits paid over the last 29 years.

Once the Trustee and the Company have agreed an appropriate way forward for GMPs in the Scheme and calculated if any changes are needed to individual benefits, we will confirm the position to members.

If increases to pensions are due to be paid as a result of the recalculation, then back-payments will be made, with interest.

Questions about your pension?

If you have any questions about your pension, please contact the Administrator team at **Willis Towers Watson Limited, Akzo Nobel (CPS) Pension Scheme, PO Box 545, Redhill, Surrey RH1 1YX**. Alternatively, you can call them on **0113 394 9305** or email them at **cps.pacontact@willistowerswatson.com**

Visit the Scheme website at **www.akzonobelcpensionscheme.co.uk**

Help is at hand

Other Documents

There are a number of Scheme documents available in respect of the Akzo Nobel (CPS) Pension Scheme.

- **Statement of Investment Principles**
 - This explains how the Trustee invests the Scheme's assets.
- **Schedule of Contributions**
 - This shows how much money has been agreed to be paid into the Scheme by the Company and active members.
- **Annual Scheme Report and Accounts**
 - This shows the Scheme's income and expenditure over the year to March 2018, as well as other information.
- **Formal Actuarial Valuation Report**
 - This is the report on the latest completed valuation of the Scheme, as at 31 March 2017.
- **Actuarial Update Report**
 - This provides a short-form update to the ongoing position. The last Actuarial Update Report was completed as at 31 March 2018.
- **Statement of Funding Principles**
 - This sets out the policy of the Trustee in relation to Scheme funding and other related matters.
- **Recovery Plan**
 - This sets out the plan for eliminating the past service deficit revealed by the March 2017 valuation.

More Information

If you require a copy of any of these documents, or have a question about the Scheme or the information in this Statement, please contact the **Secretary to the Trustee Akzo Nobel (CPS) Pension Trustee Limited, The AkzoNobel Building, Wexham Road, Slough SL2 5DS**.

Looking after your data

Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as 'data controllers' under the Data Protection Act).

Data controllers would include the Scheme trustees and, in certain circumstances, professional advisers to the Scheme. These may include the Scheme Actuary and Willis Towers Watson, who have provided further details on this website **www.willistowerswatson.com/personal-data**



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