

Akzo Nobel (CPS) Pension Scheme

Actuarial valuation
as at 31 March 2015

23 March 2016



Summary

The main results of the Scheme's actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2015 has increased to 97% (2012: 92%), including allowance for the escrow account



- Deficit of assets relative to technical provisions has decreased to £84 million (2012: £220 million), including allowance for the escrow account



- The recovery plan implemented to address the Scheme's funding deficit is expected to achieve full funding on the technical provisions assumptions by 31 March 2020, which is 5 years following the valuation date (2012: 6 years)



- The Scheme Actuary's statutory estimate of solvency as at 31 March 2015 has increased to 69% (2012: 63%)



- The joint rate of contributions required to meet the increase in technical provisions arising from the accrual of future service benefits has increased to 54.1% of pensionable salaries (2012: 37.5%).



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Throughout this report the following terms are used:

Scheme

Akzo Nobel (CPS) Pension Scheme

Trustee

Akzo Nobel (CPS) Pension Scheme Trustee Limited

Company

Akzo Nobel UK Limited and other participating companies

Trust Deed & Rules

The Scheme's Trust Deed and Rules dated 15 September 1997, as subsequently amended

Introduction

Scope

This is my report on the actuarial valuation of the Akzo Nobel (CPS) Pension Scheme as at 31 March 2015 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial valuation is required under the terms of Clause 12 of the Trust Deed and Part 3 of the Pensions Act 2004; a copy of this report must be provided to the Company within seven days of its receipt.

The main purposes of the actuarial valuation are to review the financial position of the Scheme relative to its statutory funding objective and to determine the appropriate level of future contributions.

The report explains the financial position of the Scheme at 31 March 2015 using several different measures of its liabilities and how it has changed since the previous valuation at 31 March 2012. It also describes the strategy that has been agreed between the Trustee and Company for financing the Scheme in future and provides projections of the funding position at the expected date of the next valuation.

This report and the work involved in the actuarial valuation are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards regarding pensions, reporting actuarial information, data and modelling.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Scheme and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 March 2018.

In intervening years the Trustee will obtain annual actuarial reports on developments affecting the Scheme's assets and technical provisions. The next such report, which will have an effective date of 31 March 2016, must be completed by 31 March 2017.



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23 March 2016

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Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Scheme for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial valuation and takes no account of developments after that date except where explicitly stated otherwise.

Some of the member data (such as date of birth and salary) required for the running of the Scheme, including for paying out the right benefits, is known as 'personal data'. 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 Trustee of the Scheme and may also include the Scheme Actuary and Towers Watson, so we have provided further details on the way we may use this data on our website at <http://www.towerswatson.com/personal-data>.

Assumptions

The choice of long-term assumptions, as set out in the Scheme's Statement of Funding Principles dated 22 March 2016, is the responsibility of the Trustee, in agreement with the Company, after taking my advice. They are only assumptions; they are not predictions and there is no guarantee that they will be borne out in practice. In fact I would expect the Scheme's experience from time to time to be better or worse than that assumed. The Trustee and the Company must be aware that there are uncertainties and risks involved in any course of action they choose based on results derived from these assumptions.

Funding

Statutory funding objective

The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions.

The technical provisions are calculated by projecting the benefits (which are mostly pension payments) expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. Benefits accrued in respect of service only up to the valuation date are taken into account in this calculation (although an allowance is made for an assumed level of future pensionable earnings increases for employed members). The main benefits taken into account in this actuarial valuation are summarised in the Additional Information section of this report.

The method and assumptions for calculating the technical provisions as at 31 March 2015 have been agreed between the Trustee and Company and are documented in the Statement of Funding Principles dated 22 March 2016.

The table below summarises the main assumptions used to calculate the Scheme's technical provisions for this and the previous actuarial valuation.

Financial assumptions	31 March 2015 % pa	31 March 2012 % pa
Discount rate	Term dependent rate starting at gilts+1.7% reducing linearly from 2016 over 20 years to gilts+0.5% pa	5.76 pre-retirement 4.52 post-retirement
Price inflation (RPI)	3.20	3.50
Price Inflation (CPI)	2.20	2.80
Pensionable earnings increases	4.20	4.50
Pension increases:		
- CPI, maximum 5%, minimum 0%	2.20	2.80
- CPI, maximum 5%, minimum 0%, underpinned by 70% RPI	2.60	3.10
- CPI, maximum 3%, minimum 0%	2.20	2.80
- RPI, maximum 5%, minimum 0%	3.20	3.50
- RPI, maximum 5%, minimum 3%	3.75	3.80
- 70% RPI, minimum 0%	2.24	2.45

Demographic assumptions	31 March 2015	31 March 2012
Mortality base tables:		
- Male pensioners	97% of S2PMA (CPS active and pensioners, all widowers) 99% of S2PMA (ex-UK Scheme active and pensioners, all deferreds)	99% of S1PMA (CPS active and pensioners, all widowers) 102% of S1PMA (ex-UK Scheme active and pensioners, all deferreds)
- Female pensioners	94% of S2PFA (former members) 98% of S2DFA (widows)	97% of S1PFA (former members) 96% of S1DFA (widows)
	All the base tables include improvements from 2007 to 2015 in line with CMI_2014 with a long term trend of 1.5%	All the base tables include improvements from 2002 to 2012 in line with CMI_2011 with a long term trend of 1.5%
Future improvements in longevity	CMI_2014 with long term trend of 1.5% pa from 2015	CMI_2011 with long term trend of 1.5% pa from 2012
Proportion of pension exchanged for a lump sum at retirement	20%	20%

The table below compares the Scheme's technical provisions as at the date of the actuarial valuation (31 March 2015) with the market value of the Scheme's assets and the corresponding figures from the previous actuarial valuation:

Valuation statement	31 March 2015 £m	31 March 2012 £m
Amount required to provide for the Scheme's liabilities in respect of:		
Employed members	274	228
Deferred pensioners	977	774
Pensioners and dependants	1,866	1,652
Reserve for Macpherson members ¹	14	14
Adjustment for Longevity swap ²	(64)	18
AVCs and other money purchase benefits	9	12
Technical provisions	3,076	2,698
Market value of assets shown in Scheme accounts	2,922	2,355
Past service (deficit) surplus (assets less technical provisions)	(154)	(343)
Funding level (assets ÷ technical provisions)	95%	87%
Including escrow:		
Value of escrow account ³	70	123
Market value of assets including escrow account	2,992	2,478
Past service (deficit)/surplus (assets less technical provisions)	(84)	(220)
Funding level (assets ÷ technical provisions)	97%	92%

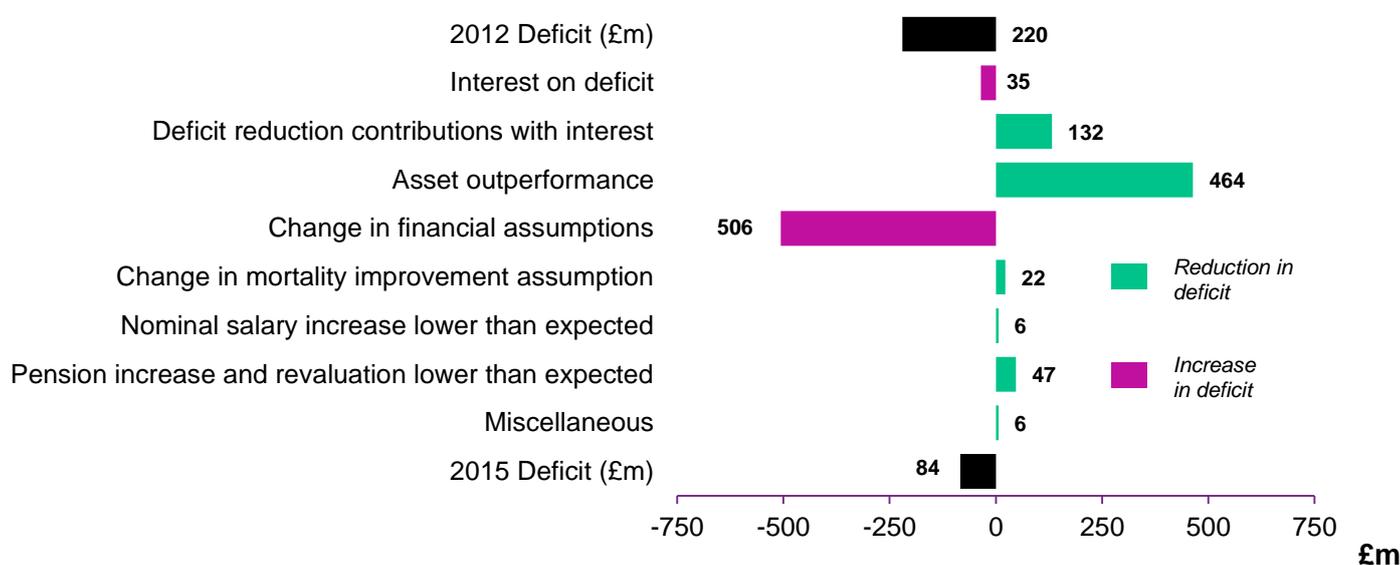
Notes

1. Macpherson members: this is an extra liability equal to the estimate value of the uplift applicable on a notional winding up of the Scheme for former member of the Macpherson RBP, calculated on a solvency basis.

2. Longevity swap: for pensioners and dependants covered by the longevity swap I have valued the Scheme's liability to pay the premiums due to ReAssure for those members. Therefore in order to value assets and liabilities consistently, the liabilities are adjusted by an amount equal to the value of the longevity swap in the Scheme accounts.
3. The escrow account pays out £25m each year into the Scheme up until 31 March 2017, or until the account is emptied if earlier. Any balance remaining on the escrow account at 31 March 2017 is paid into the Scheme (provided the Payment Ceiling has not been reached).

Developments since the previous valuation

The funding level has increased from 92% at the previous valuation to 97%, with the deficit reducing from £220 million to £84 million. The main factors contributing to this increase are shown below.



It can be seen that effectively the Scheme's net financial position has improved broadly in line with the level of deficit contributions paid since the last valuation date. Both asset and liability values have however increased considerably.

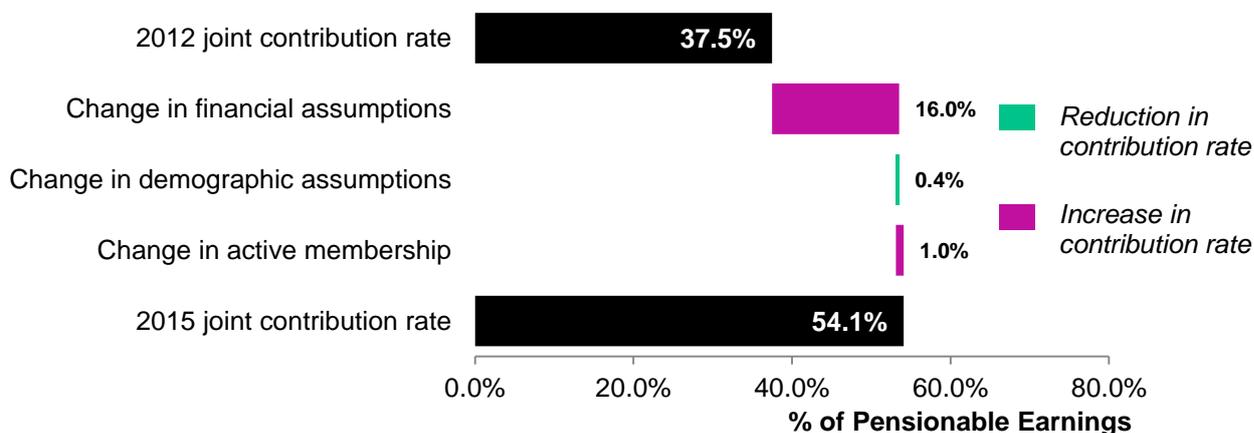
Contribution requirements

Future accrual of benefits

Under the method and assumptions described in the Statement of Funding Principles, the overall contribution rate needed to provide the benefits on the assumptions above is 54.1% of Pensionable Earnings. Based on the rates of members' mandatory contributions payable at the valuation date, which differ between the sections of the Scheme and averaged 4.8% of Pensionable Earnings at 31 March 2015, this would result in a required Company rate to finance future accrual of 49.3% of Pensionable Earnings.

The Trustee and the Company have agreed that the Company will pay future service contributions of 54.1% of Pensionable Earnings less members' mandatory contributions from 1 April 2016.

The change in the overall required contribution rate and the main factors contributing to the change are shown below.



As the Scheme is closed to new entrants, the average age of its active membership is expected to rise in future. When this happens the contribution rate required to cover accruing benefits is very likely to rise as there will then be a shorter period over which investment returns can be earned on the contributions. By contrast, the cash amount required to meet this cost may eventually fall because the number of members to whom the rate applies will fall as active members leave service, retire or die.

Recovery plan

As there were insufficient assets to cover the Scheme's technical provisions at the valuation date, the Trustee and the Company are required to agree a recovery plan. This specifies how, and by when, the statutory funding objective is expected to be met.

The Trustee and the Company have agreed a recovery plan such that:

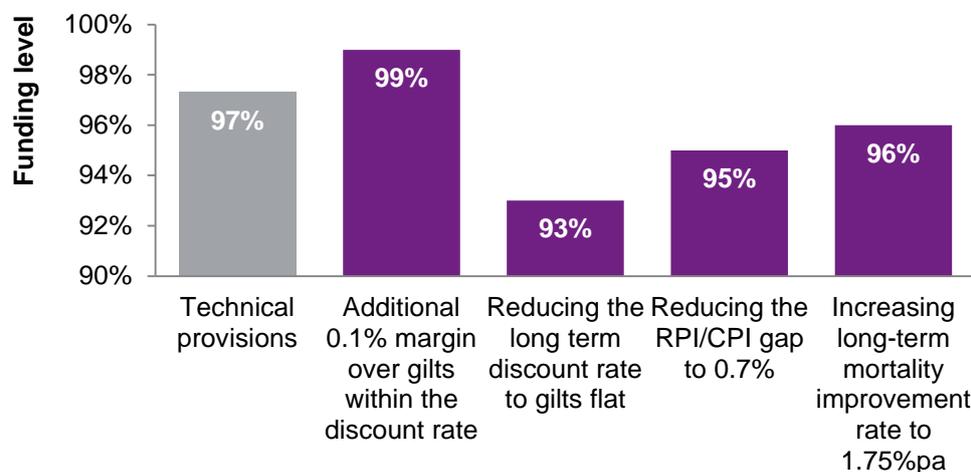
- the Company will pay additional contributions to the Scheme at a rate of £21 million a year for four years from 2016, with a final payment of £13 million payable by 31 March 2020 in the fifth year; and
- if the assumptions documented in the Statement of Funding Principles are borne out in practice, the deficit will be removed by 31 March 2020.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Scheme's technical provisions as at 31 March 2015 and allowing for contributions to be paid to the Scheme as described above, the funding level is projected to increase from 97% (including escrow account) to 99% by the expected date of the next actuarial valuation (31 March 2018).



The chart below illustrates the sensitivity of the technical provisions funding level as at 31 March 2015 to variations of individual assumptions. (If more than one of these assumptions is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)



Subsidiary funding objective

In addition to the statutory funding objective referred to above, the Trustee has a subsidiary funding objective, as set out in the Statement of Funding Principles dated 22 March 2016, which is to be able to provide benefits in accordance with the Scheme Rules with a very high level of security on a self-sufficiency basis with minimal reliance on further support from the Company.

For this purpose the Trustee would calculate the value of the liabilities allowing only for investment returns from risk-free assets such as gilts and including suitable loadings to cover risk and expenses. The Trustee has regard to the Scheme's anticipated progress towards meeting this subsidiary objective when considering funding and investment matters.

Solvency

Discontinuance

In the event that the Scheme is discontinued, the benefits of employed members would crystallise and become deferred pensions in the Scheme. There would be no entitlement to further accrual of benefits.

If the Scheme's discontinuance is not the result of the Company's insolvency, the Company would ultimately be required to pay to the Scheme any deficit between the Scheme Actuary's estimate of the full cost of securing Scheme benefits with an insurance company (including expenses) and the value of the Scheme's assets – the "employer debt". The Trustee would then normally try to buy insurance policies to secure future benefit payments. However, the Trustee may decide to run the Scheme as a closed fund for a period of years before buying such policies if it is confident that doing so is likely to produce higher benefits for members or if there are practical difficulties with buying insurance policies, such as a lack of market capacity.

If the Scheme's discontinuance is a result of the Company's insolvency, the "employer debt" would be determined as above and the Scheme would also be assessed for possible entry to the Pension Protection Fund ("PPF").

If the assessment concluded that the assets (including any funds recovered from the Company) were not sufficient to secure benefits equal to the PPF compensation then the Scheme would be admitted to and members compensated by the PPF. Otherwise the Scheme would be required to secure a higher level of benefits with an insurance company.

Statutory estimate of solvency

The Pensions Act 2004 requires that I provide the Trustee with an estimate of the solvency of the Scheme at the valuation date. Normally, this means an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Scheme at the valuation date. For this purpose I have assumed that no further payments are received from the Company.

I have assumed that the insurance company price would be calculated on an actuarial basis similar to that implied by bulk annuity quotations seen by Towers Watson at around the valuation date. I have assumed the cost of implementing the winding-up to be about 1% of the estimated value of the solvency liabilities (leading to assumed winding-up costs of £44 million).

The table below summarises how the main assumptions used to estimate the Scheme's solvency position at this and the previous actuarial valuation differ from the assumptions used to calculate the technical provisions liabilities. Assumed rates of CPI-linked pension increases have also been amended consistently with the CPI assumption shown below.

Financial assumptions	31 March 2015 % pa	31 March 2012 % pa
Pensioner discount rate	Gilts – 0.15%	Gilts + 0.1%
Non-pensioner discount rate	Gilts – 0.55%	Gilts – 0.4%
Price inflation (CPI)	2.90	3.50

Demographic assumptions	31 March 2015	31 March 2012
Mortality base tables	As technical provisions	As technical provisions
Future improvements in longevity	CMI_2014 with long term trend of 1.75% pa	CMI_2011 with long term trend of 1.75% pa
Allowance for commutation	No allowance	No allowance

My estimate of the solvency position of the Scheme as at 31 March 2015 is that the assets of the Scheme would have met 69% of the cost of buying insurance policies to secure the benefits at that date, based on the assumptions described above. Further details are set out in the table below alongside the corresponding details as at the previous valuation date:

Valuation statement	31 March 2015	31 March 2012
	£m	£m
Total estimated cost	4,310	3,944
Market value of assets	2,992	2,478
Solvency (deficit)/surplus (total estimated cost less assets)	(1,318)	(1,466)
Solvency level (assets ÷ total estimated cost)	69%	63%

The improvement in the solvency level from 63% to 69% is due mainly to the investment performance of the Scheme's assets being better than assumed, which has outweighed the impact of higher annuity prices.

The solvency estimate should not be relied upon to indicate the position on a future winding-up. Changes in market interest rates and in the supply and demand for annuities mean that the actual position at any particular point in time can be established only by obtaining specific quotations for buying the insurance policies required to secure the benefits.

The coverage for particular benefits depends on where they fall in the statutory priority order below. However, money purchase liabilities, such as those arising from members' Additional Voluntary Contributions (AVCs), are excluded from the statutory priority order; their treatment is determined by the Scheme's own rules and would normally be that they are secured in full before any other benefits.

- category 1 – benefits relating to certain pension annuities secured by the Scheme before 6 April 1997;
- category 2 – the cost to the Scheme of securing the compensation that would otherwise be payable by the PPF if the Company became insolvent;
- category 3 – benefits in respect of defined benefit AVCs not dealt with above;
- category 4 – all other pensions and benefits due under the Scheme, including pension increases (where these exceed those under the PPF).

The calculation of the Scheme's liabilities on the PPF's prescribed Section 179 basis is not covered in this report. However, the resulting Section 179 liabilities have been calculated to slightly exceed the value of the Scheme's assets as at 31 March 2015. Therefore the Scheme would probably have qualified for entry to the PPF had the Company become insolvent at 31 March 2015, in which case the members would have received PPF compensation in place of their benefits.

Relationship between the cost of securing benefits and the technical provisions

My estimate of the cost of securing benefits with an insurance company of £4,310 million is £1,234 million higher than the Scheme's technical provisions of £3,076 million.

The technical provisions are intended to be a prudent assessment of the assets required under the Scheme's investment strategy to meet future benefit payments as and when they fall due but with reliance placed on the Company being able to support the Scheme in future if the assumptions are not borne out in practice. By contrast the estimated cost of securing benefits with an insurance company is based on the price that an insurer might be likely to charge to take on the risks associated with operating the Scheme without having recourse to future contributions from the Company.

If the statutory funding objective had been exactly met on 31 March 2015 (ie there had been no funding surplus or deficit), I estimate that the solvency level of the Scheme would have been 71%. This compares with 68% at the 31 March 2012 actuarial valuation.

Projections

Based on the assumptions underlying the calculation of the Scheme's technical provisions as at 31 March 2015 and allowing for contributions to be paid to the Scheme as summarised in the Funding section of this report, the solvency level is projected to increase from 69% to around 71% by the expected date of the next actuarial valuation.

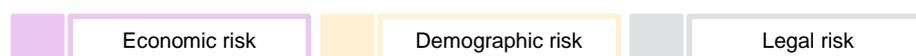


Additional Information

Risks

The table below summarises the main risks to the financial position of the Scheme and the actions taken to manage them:

Risk	Approach taken to risk
Company unable to pay contributions or make good deficits in the future	<p>The Scheme has a guarantee from the Company's parent Akzo Nobel NV. At each valuation the Trustee takes advice from an independent specialist on the ability of the Company and Akzo Nobel NV to pay contributions to the Scheme and, in particular, to make good any shortfall that may arise if the experience of the Scheme is adverse.</p> <p>This advice is taken into account when determining the level of technical provisions and in considering the appropriateness of any recovery plan to remove a deficit relative to the technical provisions.</p> <p>Between valuations the Trustee monitors the Company and Akzo Nobel NV's financial strength regularly.</p>
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	<p>The Trustee takes advice from the Scheme Actuary on possible assumptions for future investment returns. For the calculation of the Scheme's technical provisions, the Trustee has adopted discount rates that are lower than the expected returns on the Scheme assets.</p> <p>The Trustee is able to agree further contributions with the Company at subsequent valuations if future returns prove insufficient.</p>
Investment returns on future income could be lower than the returns available at the valuation date	<p>The Trustee takes this risk into account when determining the Scheme's technical provisions, by incorporating a level of prudence into the investment return assumptions.</p> <p>The Scheme currently hedges around half of its exposure to changes in interest rates.</p>
Price inflation could be different from that assumed which could result in higher liabilities	<p>The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.</p> <p>The Scheme currently hedges around half of its exposure to inflation risk.</p>
Falls in asset values might not be matched by similar falls in the value of the Scheme's liabilities	<p>The Trustee considers this risk when determining the Scheme's investment strategy. It consults with the Company in order to understand the Company's appetite for bearing this risk and takes advice on the Company's ability to make good any shortfall that may arise.</p> <p>To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.</p>
Scheme members live longer than assumed	<p>For the calculation of the technical provisions, the Trustee has adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that higher reserves are targeted in respect of the risk than are expected to be necessary.</p> <p>The risk is hedged for the majority of current pensioners in the CPS section, due to the Scheme's longevity swap that was agreed in May 2012.</p>
Options exercised by members could lead to increases in the Scheme's liabilities	<p>The Trustee sets the terms for converting benefits in respect of member options on the basis of actuarial advice with the view to avoiding strains on the Scheme's finances as far as is reasonably possible without disadvantaging members.</p> <p>The terms are kept under regular review, generally following each actuarial valuation.</p>
Legislative changes could lead to increases in the Scheme's liabilities	<p>The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.</p>



Pension increases in payment:	Pre 1 April 1993 entrants	
	- Benefits accrued before 1 April 1999 in excess of GMP	higher of LPI5 and 70% RPI
	- Benefits accrued on or after 1 April 1999	LPI5
	Post 31 March 1993 entrants	
	- Benefits accrued before 6 April 1997 in excess of GMP	70% RPI
	- Benefits accrued between 6 April 1997 and 31 March 1999	higher of LPI5 and 70% RPI
	- Benefits accrued between 1 April 1999 and 5 April 2005	LPI5
	- Benefits accrued after 5 April 2005	LPI2.5
	For this purpose "LPI 5" is increases in line with CPI capped at 5% a year. "LPI 2.5" is increases in line with CPI capped at 2.5% a year.	

Contributions by, or on behalf of, members:	Members pay 5% of their Fund Earnings. Members may also pay additional voluntary contributions to increase their benefits.
	Some members have opted for salary sacrifice, in which case the member contributions are paid by their Employer
	The Employers pay the balance of the cost of meeting the Scheme's benefits.

Different benefits are payable to members of the other sections, which are summarised in the booklets issued to the members:

- New Section – booklet dated July 2003
- NBI Section – Nobel Industries UK Pension Scheme booklet
- Macpherson Section – Macpherson Plc Retirement Benefits Plan booklet dated 1988
- Chemical Section – Akzo Chemicals Pension Scheme Explanatory sheets for employees dated March 1990 and September 1992
- Fibres Section – Akzo Fibres Ltd Employee Pension Scheme members' handbook dated March 1992
- Akcros Section – Harrison & Crosfield Group Pension Scheme members' handbook dated July 1999
- Coatings Section – Akzo Coatings plc Employee Benefits Plan members' handbook dated February 1994.

Discretionary benefits

No future discretionary benefits or discretionary increases in benefit have been allowed for in the calculation of the technical provisions and statutory estimate of solvency.

Changes to the benefits

Since the previous valuation as at 31 March 2012 no material changes have been made to the Scheme's benefits.

Uncertainty about the benefits

No allowance has been made in the calculation of the technical provisions or the statutory estimate of solvency for possible changes to the benefits that may be required to ensure that the Scheme provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members.

The Trustee and the Company have not yet resolved how to extend the supplement to CPS Section pensioners. A reserve of £15 million was included for this in the 2012 technical provisions and the same reserve has been adopted for the 2015 valuation.

The Trustee has received legal advice that the SERPS deduction (applicable to member in the Akcros section) is incorrectly described in the Scheme Rules. For the results shown in this valuation, the SERPS deduction has been valued in line with administration practice.

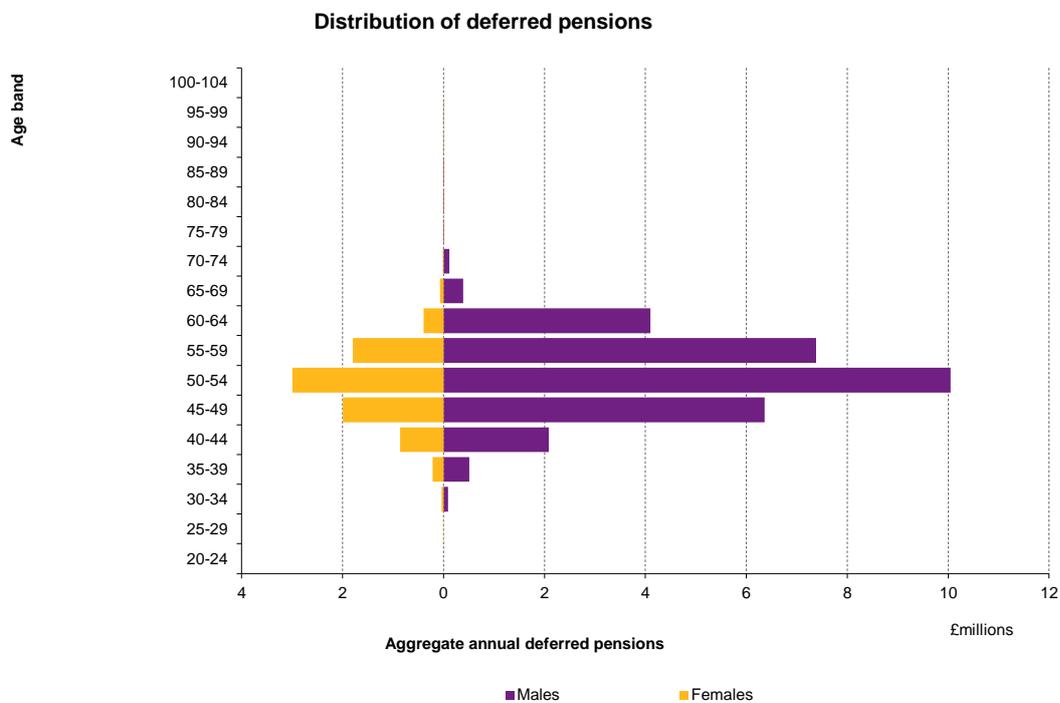
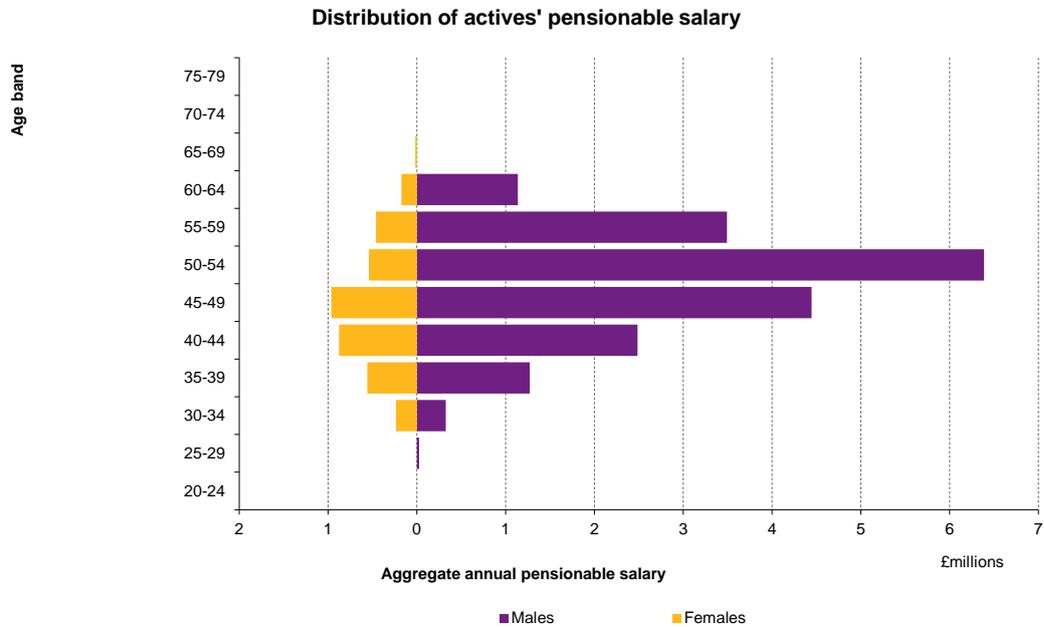
Administrative practice is to grant increases to Macpherson section pensions as if the entire pension in non-GMP. This practice is contrary to the current wording in the Rules. For the 2012 valuation it was agreed to value Macpherson section pensions in line with the administrative practice and the same approach has been adopted for the 2015 valuation.

Administrative practice is to grant increases to Coatings section pension as if no pension has been commuted. This practice is contrary to the current wording of the Rules. For the 2012 valuation it was agreed to value Coatings section pensions in line with the Rules and the same approach has been adopted for the 2015 valuation.

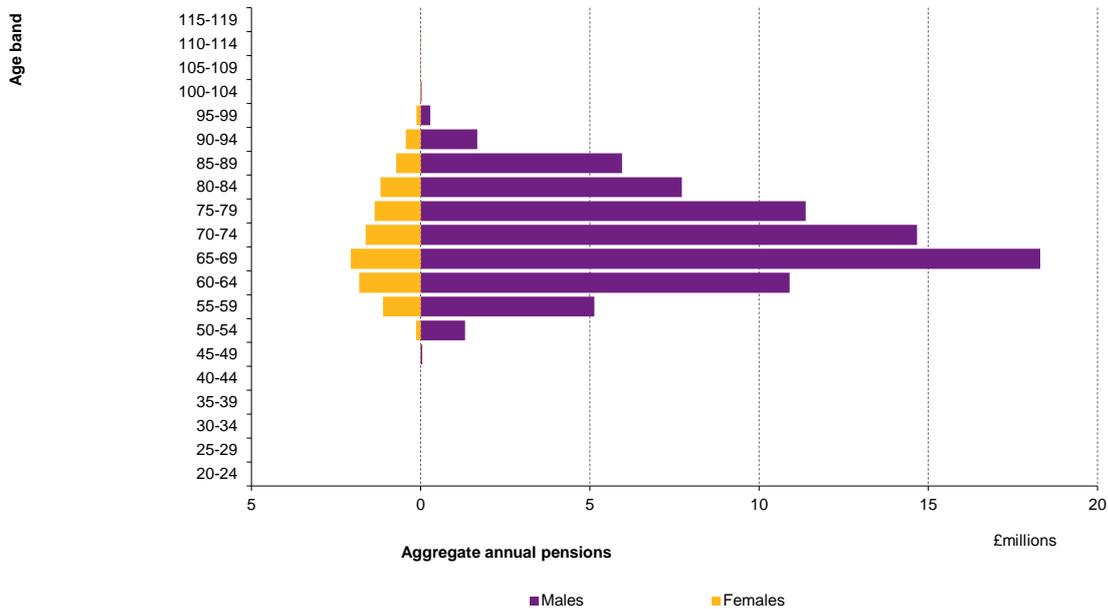
Membership data

Population pyramids

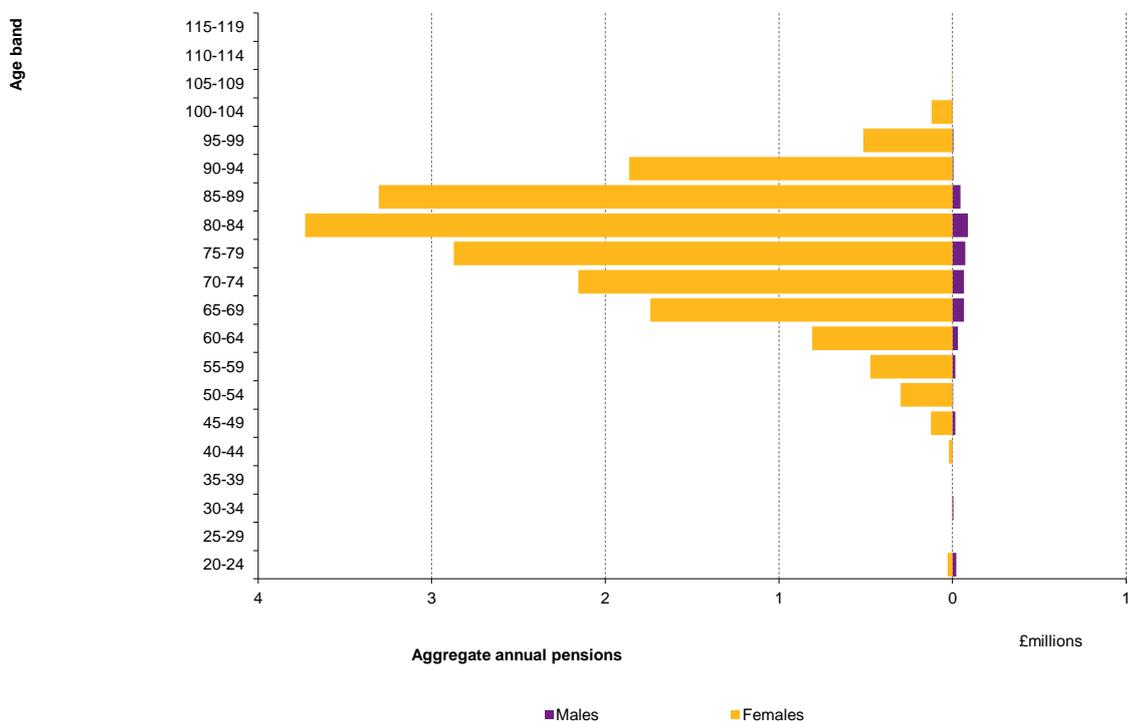
A graphical summary of the Trustee's membership information supplied by the Scheme's administrator is shown below.



Distribution of pensioners' pensions



Distribution of dependants' pensions



Notes on data charts:

- Deferred pension amounts include revaluation to the valuation date.

A summary of the data provided for this and the previous valuation is presented below.

Number of members

Number	31 March 2015			31 March 2012		
	Males	Females	Total	Males	Females	Total
Active members	446	127	573	582	171	753
Deferred pensioners	9,502	6,090	15,592	12,495	7,427	19,922
Pensioners/dependants	11,023	8,765	19,788	11,387	9,272	20,659
Total	20,971	14,982	35,953	24,464	16,870	41,334

Annual salary or pension

£ 000s	31 March 2015			31 March 2012		
	Males	Females	Total	Males	Females	Total
Pensionable salaries	21,985	4,207	26,192	24,809	5,108	29,917
Deferred pensions	31,537	9,466	41,003	34,646	7,735	42,381
Pensioners/dependants	78,001	28,667	106,668	74,316	27,096	101,412

Average age

Years	31 March 2015			31 March 2012		
	Males	Females	All	Males	Females	All
Active members	51.5	47.9	51.0	48.9	44.8	48.2
Deferred pensioners	53.4	52.0	53.0	51.2	48.9	50.8
Pensioners/dependants	71.9	76.4	73.1	70.9	76.1	72.3

Notes on data tables:

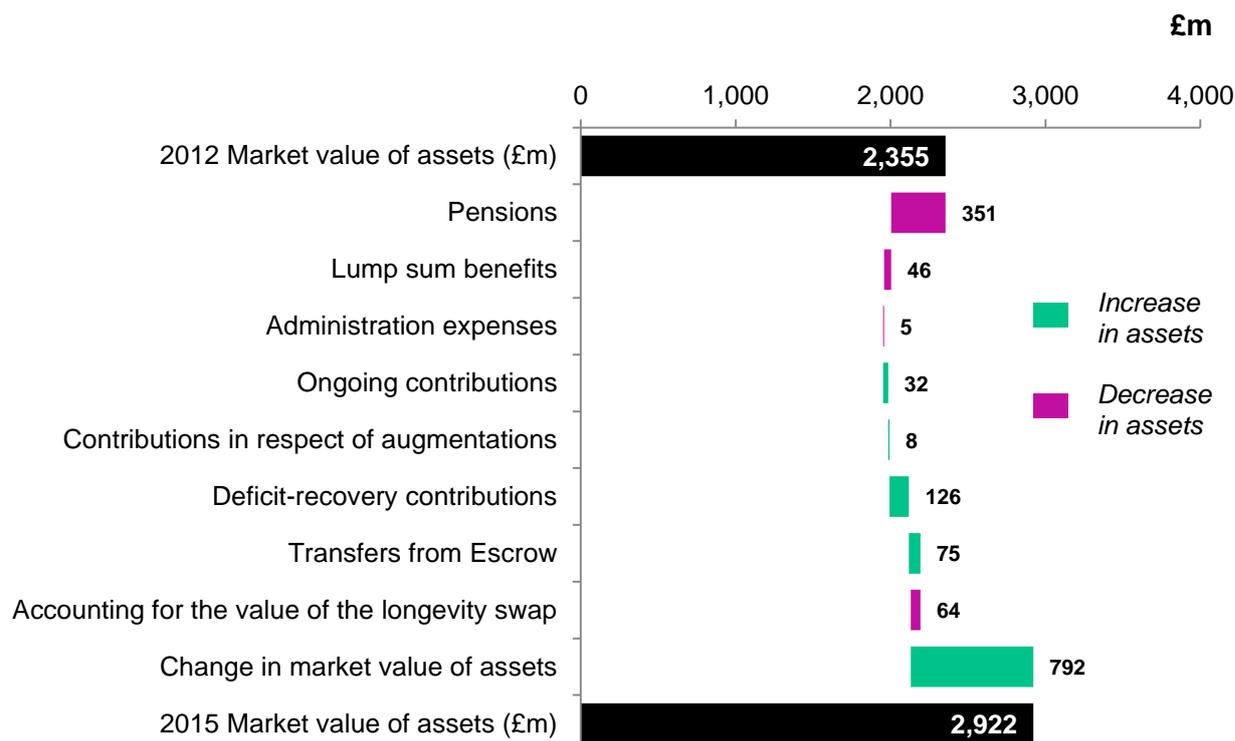
- Deferred pension amounts include revaluation to the valuation date.
- Average ages are weighted by salaries for employed members and by pension amounts for other members.

Asset information

Movements in the market value of assets

The audited accounts supplied as at 31 March 2015 show that the market value of the Scheme's assets was £2,922 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £9 million.

The change in the Scheme's assets (including AVCs) from £2,355 million as at 31 March 2012 to £2,922 million as at 31 March 2015 is detailed in the Trustee's Report and Financial Statements over that period. The chart below summarises a broad reconciliation of the change (including AVCs):



The 2015 accounts include a negative £64 million adjustment to reflect the value of the ReAssure longevity swap. This adjustment represents the difference in the value of the premiums payable to ReAssure and the benefits payable to the members, on a market consistent basis as required under accounting guidelines. In particular, it is based on swap yields and ReAssure's best estimate of future mortality rates.

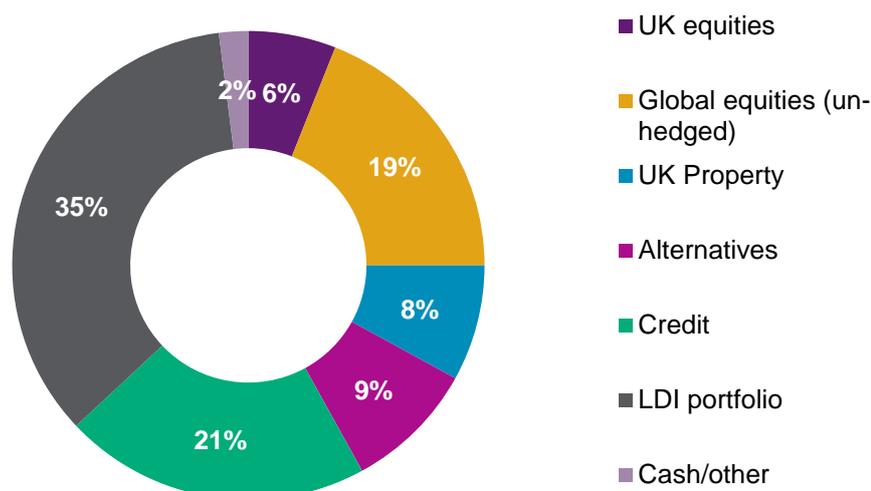
The assumptions used to assess the value of the longevity swap in the Scheme accounts are not the same as the technical provision assumptions. To ensure the value of the assets and liabilities are consistent, we have taken the following approach:

- In the pensioner liabilities, we have valued the premiums due to ReAssure for those covered by the longevity swap, and the value of the Scheme benefits for those pensioners not covered by the longevity swap, using the technical provisions assumptions.

- Ideally, the asset value used would exclude any adjustment for the longevity swap. However, legislation requires the audited asset value to be used. We have therefore adjusted the liability value by the same amount as included in the asset value in the Scheme accounts. This approach has no impact on the deficit.

Investment strategy

A summary of the Scheme's strategic investment benchmark at 31 March 2015 is set out below:



The assets, including AVCs, were invested as summarised below as at 31 March 2015 and 31 March 2012:

	Market value as at 31 March 2015	Market value as at 31 March 2012
	£m	£m
Equities	732.0	672.5
Fixed interest securities and index linked securities	480.8	1,225.6
Property	246.5	168.9
Emerging Markets Currency Fund	33.0	49.8
Multi-strategy credit	101.3	0
LDI portfolio	1,034.8	0
Reinsurance Securities Fund	103.1	0
Longevity Hedge	(63.7)	0
Cash deposits and other investments	245.1	226.4
AVC investments	8.8	11.6
Total	2,921.7	2,354.8

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Akzo Nobel (CPS) Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2015 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 22 March 2016.



Gareth Oxtoby
Fellow of the Institute and Faculty of
Actuaries
23 March 2016

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Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Scheme's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Covenant: This represents an employer's legal obligation and its ability to provide the financial support to a scheme that may be required now and in the future. The trustees' assessment of the sponsor's covenant will inform both investment and funding decisions.

Demographic assumptions: Assumptions relating to social statistics for Scheme members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Scheme and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Scheme. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Scheme, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Scheme. See also statutory funding objective.

Pension Protection Fund (PPF): Provides compensation to members of an eligible occupational scheme in the event that it is wound up with insufficient assets and the employer is insolvent. The level of PPF compensation provided would not usually be at the full level of the benefits that would otherwise have been due.

Prudence: Regulations require that assumptions are chosen prudently when assessing the level of technical provisions, although they do not define this term. We have interpreted prudence to be the level of conservatism in the assumptions. Where this is interpreted quantitatively, assumptions said to be prudent would result in higher technical provisions than a "best estimate" assumption (where a "best estimate" assumption is one where there is a 50% chance that the actual outcome will be higher or lower than assumed).

The Pensions Regulator: The regulatory supervisor for occupational pension schemes with statutory objectives to protect members' benefits and the Pension Protection Fund, and statutory powers to take interventionist action.

Recovery plan: A document required where an actuarial valuation discloses that the statutory funding objective is not met (ie the assets held are less than the technical provisions). It is a formal agreement between the trustees and the employer that sets out the steps to be taken to achieve the statutory funding objective by the end of an agreed period (the "recovery period").

Schedule of contributions: A document that sets out in detail the agreed contributions payable to a scheme by members and the employers and the dates by which such contributions are to be paid. It includes, but is not limited to, contributions agreed under a recovery plan.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the trustees to perform certain statutory duties for the Scheme.

Scheme-Specific Funding Regime: A term used to refer to the legislative and regulatory rules that stem from the Pension Act 2004 and which govern the funding of occupational defined benefit pension schemes in the UK.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Scheme's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory estimate of solvency: An estimate of the cost of discharging a scheme's liability to pay benefits through the purchase of insurance policies in respect of each member's full benefit entitlement under the Scheme (unless the actuary considers that it is not practicable to make an estimate on this basis, in which case the estimate of solvency can be prepared on a basis that the actuary considers appropriate).

Statutory funding objective: To have sufficient and appropriate assets to cover the Scheme's technical provisions.

Statutory priority order: The order in which the assets of a scheme must be applied in securing the benefits of different members in the event of it being wound up. The order is consistent with the Pension Protection Fund (PPF) because benefits covered by the PPF are the highest priority class of defined benefit liabilities.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Scheme.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.

Winding-up: This is a particular method of discharging a scheme's liability to pay benefits. It typically arises where the employer no longer provides financial support to it (for example if it becomes insolvent) and would usually involve using the scheme's assets to buy insurance policies that pay as much of the scheme's benefits as possible in accordance with the statutory priority order.