

# Members' <sup>2016</sup> Newsletter

**Akzo Nobel (CPS) Pension Scheme**



## Welcome to the 2016 edition of the Members' Newsletter

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This update looks at what's been happening over the past year, both in the Scheme and in the wider pensions world.

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## Trustees' Review 2016

### Funding of the Scheme

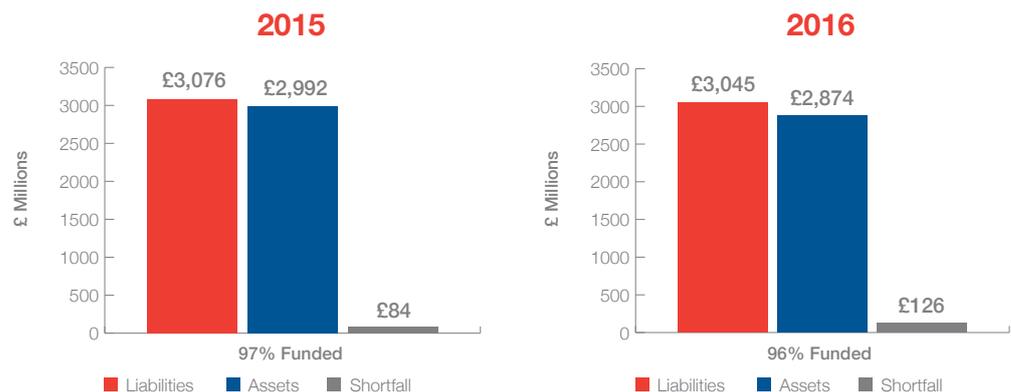
Every three years, the Actuary carries out an Actuarial Valuation. Last year was a valuation year, and here we share with you the results of the valuation dated 31 March 2015 and the interim valuation as at 31 March 2016.

When it isn't a valuation year, the Actuary performs an interim review of the financial position of the Scheme. The most recent interim review showed that, despite the difficult economic conditions as at 31 March 2016 the shortfall had increased to £126 million, and the Funding level had slightly deteriorated to 96%.

### 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 Actuary and the agreement of the Company, needs to decide on the assumptions that should be used when working out the amount of money that is needed, for example future investment returns, retirement ages and life expectancy. The Actuary then performs the valuation, and presents the results to the Trustee.

The results of the March 2015 formal valuation and the 2016 funding update are shown below together with the actions agreed by the Trustee to remedy the Scheme's funding deficit.



### Eliminating the funding shortfall

The Trustee and the Company have negotiated ways to eliminate the funding shortfall which includes:

- Payments transferred from the escrow account** to the Scheme up to March 2017, at a minimum rate of £25 million a year, providing the funding of the Scheme still requires these contributions. At March 2016, the balance remaining in the escrow account was £45 million. The asset figures shown above includes the appropriate escrow balances.
- Additional deficit contributions** are received from the Company to help improve the funding level. Amounts of £42 million were paid in to the Scheme in 2013, 2014 and 2015. £21 million was paid in 2016 and will be paid annually for the next three years, with £13 million payable in 2020.

Taken in conjunction with the assumed rate of return on the invested assets in the Scheme and the escrow account, the Scheme Actuary was able to certify that he expected that the target of full funding against the ongoing valuation assumptions would be achieved by March 2020.

The next full actuarial valuation will take place as at 31 March 2018. A further interim annual update will be produced as at 31 March 2017 and the Trustee will include an update on the funding position in the 2017 Newsletter.

### 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.

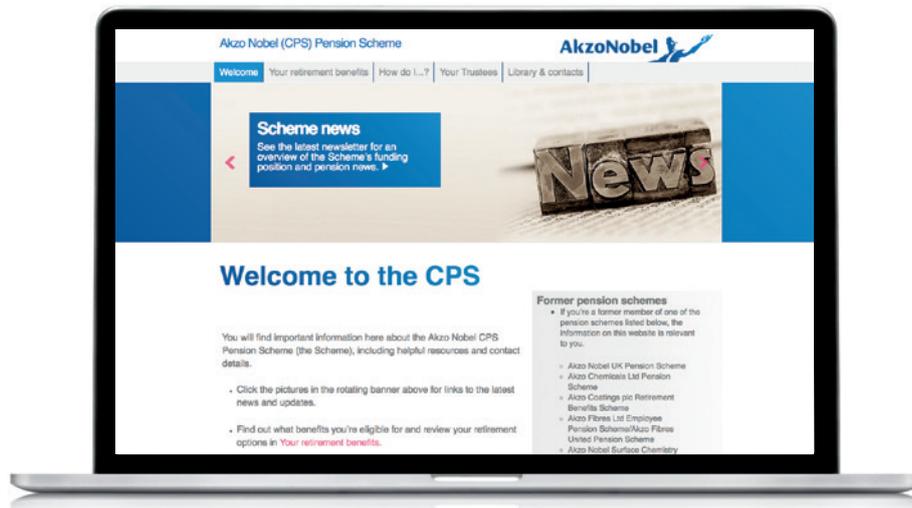
**Website launch** The Scheme now has a dedicated website to keep you up to date with Scheme information and pensions news, from anywhere and at any time.

Visit the Scheme website at [www.akzonobelcspensionscheme.co.uk](http://www.akzonobelcspensionscheme.co.uk)

Here you can:

- Stay up-to-date with latest pension news
- Learn more about your Scheme benefits
- Meet your Trustees
- Find out how to update your personal details
- View useful Scheme documents and forms
- Get in touch

On pages 8-10 of this newsletter is a Summary Funding Statement. Future Summary Funding Statements will be issued on the website unless you write or email the administrators to confirm that you still require a paper copy. The administrators' contact details can be found below.



**Questions about your pension?** **If you have any questions about your pension, please contact the administrators at**

Willis Towers Watson  
 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.PACcontact@willistowerswatson.com**

[www.akzonobelcspensionscheme.co.uk](http://www.akzonobelcspensionscheme.co.uk)

# Scheme Update

**Scheme Accounts** The following figures have been extracted from the Scheme Accounts for the year ended 31 March 2016. Copies are available on request from the Scheme Administrator.

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 PricewaterhouseCoopers LLP (PwC).

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

	2016 £000s	2015 £000s
<b>Receipts:</b>		
Contributions	54,845	77,325
Other income	0	0
<b>Total receipts</b>	<b>54,854</b>	<b>77,325</b>
<b>Payments:</b>		
Benefit payments	(122,461)	(120,585)
Payments to and on account of leavers	0	(2)
Transfers out	(7,621)	(2,901)
Administration expenses	(10)	(10)
<b>Total payments</b>	<b>(130,092)</b>	<b>(123,498)</b>
Fund at the beginning of the year	2,921,743	2,508,800
Net withdrawals from dealing with members	(75,238)	(46,173)
Net return on investments	27,561	459,116
<b>Fund at 31 March 2016</b>	<b>2,874,066</b>	<b>2,921,743</b>
<b>The Scheme comprises:</b>		
Main Scheme Investments	2,863,926	2,911,979
AVC Scheme Assets	7,234	8,805
Net Current Assets	2,906	959
	<b>2,874,066</b>	<b>2,921,743</b>

## Who's in the Scheme?

<b>Active Members</b>	569
	511
<b>Deferred Members</b>	9,162
	8,579
<b>Pensioners and Dependants</b>	19,382
	19,048

Figures as at ■ 31 March 2015 ■ 31 March 2016

## Could you become a Trustee Director?

The Trustee of the Scheme is looking for nominations for a new Member-Nominated Trustee Director (MNTD) from the Scheme's active membership.

Russell Deane's term of office expired in May 2016. Russell has agreed to be nominated to continue as an MNTD drawn from the **active membership** for a new five-year term of office. Nominations are also sought however from other **active** members.

If you are an **active** member of the Scheme and interested in putting yourself forward for the MNTD vacancy please complete the nomination form attached and ask ten active members of the Scheme to nominate you. You will also need to put your details in the first box and then the nominating members will each need to either complete and sign one of the other boxes on the form or provide an email in support of your application. All nominations must be received by **5pm on 2 December 2016**. A completed nomination form may either be posted or emailed to the address provided on the nomination form.

Please note that any nomination forms received after the closing date will not be accepted. The MNTD 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 2017 members' newsletter.

The current Trustee Directors are:

Company-Appointed Trustee Directors		Member-Nominated Trustee Directors	
Richard Waterbury	Retired	Russell Deane	Powder Coatings** (active member constituency)
Julie Shannon	Retired	Paul Brennan	Industrial Coatings** (active member constituency)
Vacancy		Geoff Marsh	Retired* (pensioner constituency)
Vacancy		Jon Bradley	Retired (pensioner and deferred member constituency)
The Law Debenture Pension Trust Corporation p.l.c. – Independent Trustee			

Richard Waterbury continues to serve as Chairman of the Trustee Board.

\* Geoff Marsh was re-elected as an MNTD in Summer 2015.

\*\* Active members of the Scheme.

# Scheme News

**EU referendum vote** On 23 June 2016 the UK voted to leave the European Union and many members may be worried about the impact of the recent referendum vote.

While there is no doubt that this is a significant event that will have short and long term consequences and, as we've already seen, there will be an impact on financial markets and investments, so far, the Scheme's funding level has held up very well to the market volatility.

Whilst short term volatility can be concerning, reactive short-term decisions could also adversely impact the Scheme's funding over the longer term. The Trustee continues to monitor the situation and take advice as appropriate.

**Company consultation** The Company wrote to active members in Spring 2016 outlining proposed changes to future benefits and contributions.

The Trustee was advised of the Company's proposal but as the changes affect future benefits and did not require a change to Scheme rules in order for the Company to implement the proposed changes the Trustee had no further role to play.

**State Pension changes** 6 April 2016 saw the introduction of a new single-rate State Pension for anyone who reaches their State Pension Age on or after that date. The new single rate State Pension is currently set at £155.65 a week.

There are transitional provisions for those who have built up qualifying years or credits prior to 6 April 2016, to ensure that you will not receive a lower pension than you would have received under the previous systems rules, so long as you meet the new 10-year minimum qualifying period.

It is important to note that your State Pension may be less than the amount above – for example, if you have not paid National Insurance contributions for the number of years needed for the full amount or if you have been contracted out of a particular element of the State Pension.

To find out more about the State Pension go to [www.gov.uk/new-state-pension/overview](http://www.gov.uk/new-state-pension/overview)

## Lower pension tax allowances

Your pension contributions benefit from tax relief at your marginal rate of tax.

There are two allowances for pension saving;

- The Annual Allowance (AA) relates to the amount of benefits you can build up in a tax year, and
- The Lifetime Allowance (LTA) relates to the amount you can build up over your lifetime.

If you exceed these limits, you may have to pay more tax.

From 6 April 2016 the AA has been £40,000 and the LTA £1 million (a reduction from the previous level of £1.25 million) for most people. For some members however, there will be some new restrictions on the AA introduced in 2016 as outlined below.

For anyone earning over £150,000 per year (including pension contributions) the AA will be reduced by £1 for every £2 of salary above this level, with a minimum AA level of £10,000 applying.

If you need help on tax planning, or would like to discuss your options regarding your pension, you should speak to a Financial Conduct Authority regulated financial adviser. You can find an adviser local to you at [www.moneyadvice.service.org.uk/en/categories/financial-help-and-advice](http://www.moneyadvice.service.org.uk/en/categories/financial-help-and-advice)

## Don't get stung by a pension scam

Pension scams are on the rise, with members being conned out of their pensions savings. These scams will offer you access to your pensions savings before age 55, which can come with a high tax bill or extra charges.

You might be offered a health check or review of your investments, with advice to transfer to overseas "opportunities", which could lead you to losing a significant amount of the value of your pension.

If you think you have been targeted by a scam you can find out more at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) or contact The Pensions Regulator on **0345 600 1011**

# Summary Funding Statement

as at March 2016

It is a legal requirement for defined benefit schemes like the CPS to report annually to members on their funding status. The Scheme's funding level is fully assessed every three years (the Formal Valuation), with annual updates carried out on an estimated basis in the intervening years.

## The 2015 Formal Valuation

The latest formal funding valuation showed that as at 31 March 2015 the funding position of the Scheme was:

	<b>31 March 2015</b> <b>£ million</b>
Total value of accrued liabilities	3,076
Market value of assets (excluding escrow account)	2,922
Shortfall	(154)
<b>Funding level</b>	<b>95%</b>

At 31 March 2015, the balance remaining in the escrow account was £70 million. Including this, the funding level would have been 97%.

## The 2016 Actuarial Update Report

The Scheme Actuary has produced an Actuarial Update Report, required under the scheme-specific funding regime, as at 31 March 2016. This provides an approximate update to the funding level of the Scheme on an ongoing basis. As at 31 March 2016 the approximate funding position of the Scheme was as follows.

	<b>31 March 2016</b> <b>£ million</b>
Total value of accrued liabilities	3,045
Market value of assets (excluding escrow account)	2,874
Shortfall	(171)
<b>Funding level</b>	<b>94%</b>

At 31 March 2016, the balance remaining in the escrow account was £45 million (£70 million as at 31 March 2015). Including this, the shortfall was £126 million and the funding level was 96% as at 31 March 2016.

The funding position improved over the year to 31 March 2015, mainly due to the payment of the deficit contribution and the lower than anticipated pension increases in April 2015. The funding position then remained broadly similar over the year to 31 March 2016, even though the funding level has reduced slightly. The negative impact of weak investment market performance on the Scheme's assets over the last year has been offset to some extent by the deficit contribution and the reduction in liabilities arising from lower than anticipated pension increases in April 2016.

**Shortfall reduction** The Trustee and Company agreed that the shortfall recorded at the 2015 Formal Valuation would be eliminated through the following steps:

1. **The continuation of regular contributions from the escrow account established for the Scheme.** This escrow account has a security charge placed over it, meaning the Company cannot access the assets without the consent of the Trustee. These assets remain invested for the benefit of the Scheme and the escrow account balance is being transferred to the Scheme over the period ending March 2017, at a minimum rate of £25 million a year, providing the funding of the Scheme still requires these contributions.
2. **Additional deficit contributions to be paid by the Company into the Scheme at the rate of £21 million a year for four years.** The first contribution of this series was paid in March 2016, and the agreement envisages that these contributions will continue at this rate until 31 March 2019. In addition, a further deficit contribution of £13 million will be payable by March 2020.
3. Taken in conjunction with the assumed rate of return on the invested assets in the Scheme and the escrow account, the Scheme Actuary was able to certify that he expected that the target of full funding against the ongoing valuation assumptions would be achieved by 31 March 2020.

The next Formal Valuation will be carried out as at 31 March 2018. An Actuarial Update report will be carried out as at 31 March 2017 and will provide an approximate update to the funding level of the Scheme on an ongoing basis.

## **Other Information** The Pensions Act 2004 requires certain additional items of information to be provided to members.

### **1. Repayment to the Company or modifications imposed by the Regulator**

There is a requirement to report whether any repayment out of the Scheme has been made to the Company since the date of the last Summary Funding Statement. No such payment has been made.

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the funding target, setting the terms of the recovery plan and/or imposing a schedule of contributions. The Trustee confirms that the Regulator has not used any of these powers in relation to the Scheme.

### **2. The position on 'winding up'**

A pension scheme is 'wound up' when a company goes out of business. If this happens, the company is required to pay the scheme enough money to buy out from an insurance company all the benefits built up by members. While there is no certainty that Akzo Nobel could pay this amount in that event, the intention is for there to be enough money in the Scheme to pay pensions now and in the future.

Without any further contribution from the Company it is estimated that at 31 March 2015 the assets of the Scheme would have been enough to provide around 69% of the members' benefits with an insurance company. This degree of under-funding on this measure is not unusual for UK pension schemes with strong employers backing them. Members should also be aware that in an insolvency event, any monies not yet transferred across from the escrow account would be paid to the Scheme.

In the event of a company insolvency the Pension Protection Fund (PPF) may take over the Scheme and pay certain benefits to members. There are limits on the compensation amounts paid by the PPF and these would not give exactly the same benefits as those provided by the Scheme. Further information is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or in writing from the **Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.**

**It should be stressed that the CPS Trustee continues to monitor the financial strength of the participating employers and the ultimate parent Akzo Nobel NV through direct face-to-face dialogue and by the use of external specialists, and they have been advised that the Company's ability to meet its commitment to the Scheme remains strongly based – in technical jargon there continues to be a 'strong covenant'.**

**The Company's commitment to meet its obligations is clearly demonstrated by the fund and security arrangements put in place following the 2015 actuarial valuation.**

# 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 2016, 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 2015.

### Actuarial Update Report

This provides a short-form update to the ongoing position.

The last Actuarial Update Report was completed as at 31 March 2016.

### 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 2015 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](http://www.willistowerswatson.com/personal-data)



[www.akzonobel.com](http://www.akzonobel.com)

AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 45,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

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