

Members' ²⁰¹⁷ Newsletter

Akzo Nobel (CPS) Pension Scheme



Welcome to the 2017 edition of the Members' Newsletter

This contains our review of what's been happening over the past year, both in the Scheme and in the wider pensions world.

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Trustees' Review 2017

Funding of the Scheme

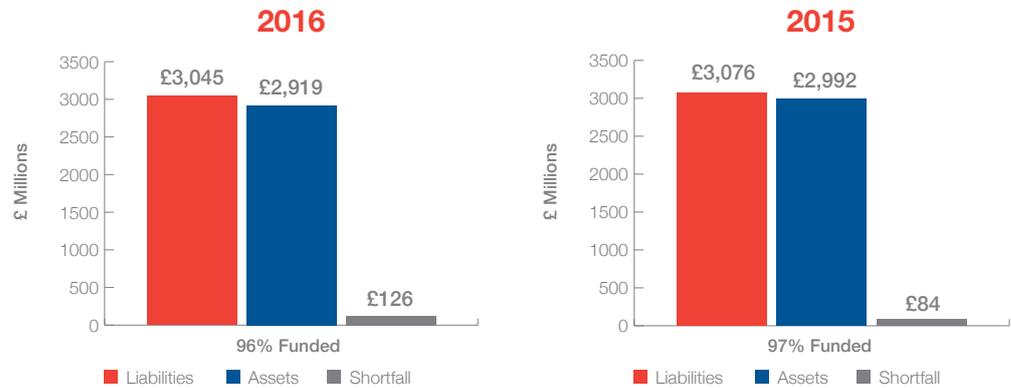
It is a legal requirement for Defined Benefit (DB) schemes such as the Scheme to provide members with an update each year on the funding level of the Scheme.

The Scheme's funding level is fully assessed every three years, and the last formal Actuarial Valuation was carried out 31 March 2015 with the next full valuation due as at 31 March 2018. However, following AkzoNobel's decision to separate the Specialty Chemicals business, the Trustee has brought this 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 agree on the assumptions used when working out the assets 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.

The results of the March 2016 funding update and 2015 Valuation are shown below. The final results of the Actuarial Valuation as at 31 March 2017 will be included in the 2018 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.

Eliminating the funding shortfall

As part of the 2015 Valuation the Trustee and the Company agreed ways to eliminate the funding shortfall, which includes:

1. **A minimum payment of £25 million a year from the escrow account.** The final payment from this account of £46 million, the remaining balance, was paid into the Scheme in February 2017.
2. **Additional deficit contributions** received from the Company of £21 million a year since March 2016, which will continue until March 2019. A final deficit contribution of £13 million will be paid by 31 March 2020.

The valuation being carried out at March 2017 will assess whether these agreed future contributions are sufficient, together with future investment returns on the Scheme's assets, to eliminate the deficit.

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

The estimated valuation of the Scheme at 31 March 2016 showed that if the Scheme had been wound up at that date and the benefits secured with an insurance company, the value of Scheme's assets was estimated to be around 71.8% of the amount needed to secure the benefits earned to that date. On this basis, additional assets of some £1,328 million would have been required to secure the members' benefits in full with an insurance company.

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 are taken from the Scheme accounts for the year ended 31 March 2017. Copies are available on request.

Scheme accounts

This is a summary of the Fund Account and Net Asset Statement taken from the 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.

	2016 £000s	2017 £000s
Receipts:		
Contributions	54,854	79,326
Other income	0	0
Total receipts	54,854	79,326
Payments:		
Benefit payments	122,461	118,607
Payments to and on account of leavers	0	0
Transfers out	7,621	14,464
Administration expenses	10	10
Total payments	123,498	133,081
Fund at the beginning of the year	2,921,743	2,932,322
Excess of payments over receipts	(75,238)	(53,755)
Net return on investments	35,717	529,114
Prior period adjustment	50,100	0
Fund at 31 March	2,932,322	3,407,681
How is the Scheme made up?		
Main Scheme Investments	2,922,182	3,382,123
AVC Scheme Assets	7,234	8,359
Net Current Assets	2,906	4,593
	2,932,322	3,407,681

Who's in the Scheme?

Active Members



Deferred Members



Pensioners and Dependants



Figures as at ■ 31 March 2016 ■ 31 March 2017

Scheme News

Trustee update In 2016 the Trustee sought nominations for a new Member-Nominated Trustee Director (MNTD) from the Scheme's active membership as Russell Dickinson-Deane's term of office had come to an end.

Following the nomination and interview process the Trustee is pleased to announce that Russell Dickinson-Deane was reappointed as MNTD with effect from November 2016.

In July 2017, Jill Mellor was appointed as a Company-Nominated Trustee Director.

The current Trustee Directors are:

Company-Appointed Trustee Directors		Member-Nominated Trustee Directors	
Richard Waterbury	Retired	Russell Dickinson-Deane	Powder Coatings* (active member constituency)
Julie Shannon	Retired	Paul Brennan	Industrial Coatings* (active member constituency)
Jill Mellor *		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			

* Contributing members of the Scheme

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

Option to change a small pension for a lump sum **Changes in pension law in recent years have given members and beneficiaries more flexibility in accessing their pension benefits.**

One of these changes gives members and dependants with small pensions the option to give up those pensions in return for a taxable lump sum, known as a trivial commutation lump sum. The value of the lump sum will depend on the amount of pension in payment and your age.

The option to change your pension for a lump sum **will not** be available to all members and dependants, but if your current pension is less than £1,500 a year, you may qualify to give up your pension for a one-off lump sum.

For spouses or dependants, a trivial commutation lump sum may be available if the final lump sum offered to you instead of your spouse's or dependant's pension is less than £30,000. If you are a pensioner member, (i.e. are not receiving a spouse's or dependant's pension but one in your own right) the total value of your pension benefits from **all sources**, other than the State Pension, must be less than £30,000.

Remember, if you choose to give up your pension for a trivial commutation lump sum, you will have to pay income tax on the lump sum at your marginal rate, and of course you will no longer receive your regular pension payment. If you want to continue receiving your regular pension payment and do not want to give it up in return for a lump sum, you do not need to do anything.

If you would like to find out more about your individual options, please contact the Administration team using the details at the end of the newsletter.

Going paperless You may have noticed that the Scheme website was not available for a period over the summer. The Trustee apologises for any inconvenience or concern that may have been caused to members and has measures in place so that this incident is not repeated in future.

From January 2020, the Trustee intends to issue all important communications electronically. When any electronic pension communication is issued, you will be notified by email and directed to the Scheme website: www.akzonobelcpcpensionscheme.co.uk

Any communications with personal data will continue to be sent by post unless you request otherwise.

- **Key benefits of going paperless**

- Convenience for you
- Reducing print and postal costs for the Scheme
- Doing our bit for the environment by reducing the amount of paper we use

- **Opting out**

- You will have the option to opt out and so continue to receive printed communications.

We will let you know how to supply email addresses or opt out in future newsletters as we approach 2020.

GDPR – General Data Protection Regulations

The current Data Protection Act has been in place for nearly 20 years and from May next year will be replaced by the General Data Protection Regulation (GDPR). This Regulation is aimed at strengthening individuals' data protection rights in the light of recent technological advances.

It will apply to all EU member states including the UK after Brexit and provides a single EU legal framework for the processing of individuals' data.

Personal non-sensitive and sensitive data must be processed in accordance with certain set conditions. The Trustee takes the security of member's data very seriously and although there are already robust controls in place, it will be taking whatever additional action is required to ensure that the Scheme is fully compliant with this new Regulation.

Protection for your pension – the Pension Protection Fund (PPF)

In the spring of 2017, AkzoNobel was the subject of an unsolicited takeover advance from PPG Inc. At that time several members asked what would happen to the Scheme in such an event and what security measures are in place for members' benefits.

The most important protection is the existence of the Scheme's assets secured in a trust controlled by the Trustee and not the Company. The segregation of the Scheme would not be affected by any event taking place at Company level.

If the sponsoring employers in the Scheme became insolvent and therefore unable to support it, the Scheme has a claim on the assets of those businesses on a par with other creditors. Beyond this, the Scheme also has a guarantee from AkzoNobel NV to stand behind the obligations of the sponsoring employers.

If the funding achieved by these protections are not sufficient to secure the Scheme's benefits, then the PPF may take on the Scheme. The Pension Protection Fund was set up to provide a degree of financial protection and security for eligible final salary pension members, by providing compensation should their pension fund be wound up due to company insolvency.

Whilst the Scheme is well funded (with extra contributions being paid to eliminate the deficit) and there are no plans to wind it up, it may be helpful for you to know what minimum benefits the PPF provides:

- Members who have reached their scheme's normal pension age, will generally receive 100% of the benefits they should have received at the time their employer became insolvent. Typically, the PPF will also pay 100% of the benefits due to those who have retired on ill-health grounds, and those receiving a widow's/dependant's pension.
- Members who have not yet retired will receive up to 90% of their benefits on reaching retirement age. This 90% is, however, subject to a cap which is recalculated every year for new pensioners.

The amount of the standard PPF compensation cap for 2017/18 is £ 38,505.61. This is considerably higher than the average UK pension.

For full details on the PPF compensation, see the PPF website at www.pensionprotectionfund.org.uk

More support for trustees against pension scams

Pension scams are on the rise, with members being conned out of their pensions savings. These scams may offer you access to your pensions savings before age 55, which can come with a high tax bill or extra charges. Or you may be offered investments in offshore funds offering high returns.

The Pensions Regulator (TPR) has added a number of new features to its pension scams campaign to help prevent pension savers falling victim to scams. These include videos for trustees and savers on typical scammer tactics and the potential consequences for victims, an online 'scam-spotting' tool, a five-step practical guide for savers, and a due diligence checklist for trustees to use when considering transfer requests.

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

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 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**



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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