

# Members' 2014-15 Newsletter

## Akzo Nobel (CPS) Pension Scheme



### Trustees' Review 2015

Welcome to the Members' Newsletter for 2015

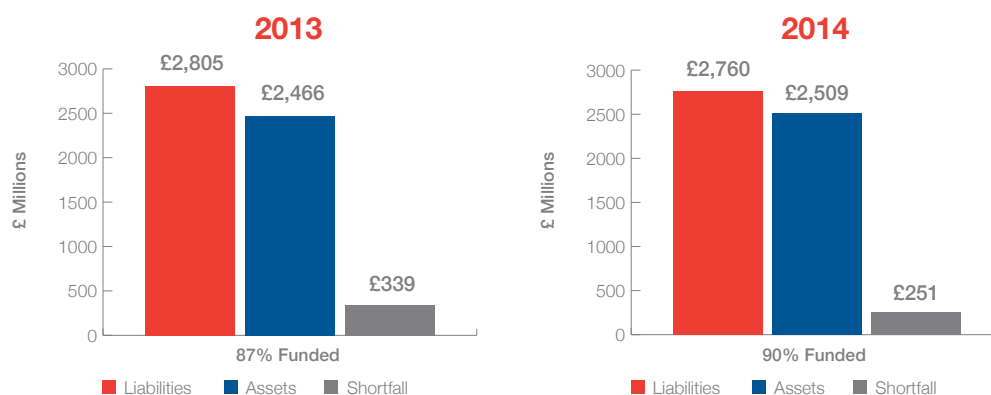
The latest full valuation is as at 31 March 2015 and the Trustee will include an update on the funding position in a future newsletter.

### Funding of the Scheme

It is a legal requirement for Defined Benefit (DB) Schemes, such as the CPS (the Scheme), to provide members with an update each year on the funding level of the Scheme. Here we give an overview of the Scheme's funding position – we have provided a full update on our funding as at 31 March 2014 on pages 6-7.

The Scheme's funding level is fully assessed by way of a formal Actuarial Valuation report every three years, which was last undertaken as at 31 March 2012. The next full valuation is as at 31 March 2015. During the intervening years annual updates on the funding level are carried out on an estimated basis.

The annual updates as at 31 March 2013 and 2014 are set out below:



Please note – assets exclude escrow account.

### Eliminating the funding shortfall

The Trustee and the Company have agreed ways to eliminate the funding shortfall, which include:

1. the Company paying additional contributions of £42 million a year until March 2018; and
2. transfers from the existing escrow account into the Scheme of £25 million each year to continue to March 2017, or until the escrow account is emptied, if earlier. Any balance in the escrow account in March 2017 will then be paid into the Scheme.

Taking into account the value of the escrow account, the shortfall as at 31 March 2014 would be £165 million and the funding level 94%.

### Questions about your pension?

If you have any questions about your pension, please contact the administrators at **Towers Watson Limited, Akzo Nobel (CPS) Pension Scheme, PO Box 545, Redhill, Surrey RH1 1YX.**

### 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.

# Scheme News

## State Pension changes

The Government has introduced a flat rate (single-tier) State Pension. This will replace the basic and additional State Pensions for people reaching State Pension Age from 6 April 2016.

Current pensioners and anyone reaching State Pension Age before 6 April 2016 will continue to receive their State Pension in line with existing rules. For more information on the single tier pension, visit the Department for Work and Pensions website at [www.dwp.gov.uk/policy/pensions-reform/state-pension](http://www.dwp.gov.uk/policy/pensions-reform/state-pension)

Use the calculator at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension) to find out your SPA, or for a quick estimate of your basic State Pension.

For a State Pension statement, go to [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)

### Increases to the State Pension Age (SPA)

#### The SPA is changing:

Women's SPA will gradually increase to **65** by November 2018 and again to **66** between December 2018 and October 2020.

Between December 2018 and October 2020, men's SPA will gradually increase from **65** to **66**.

### Under current law, SPA will already increase to:

**67** between 2026 and 2028.

**68** between 2044 and 2046.

## Reminder to AVC investors

If you are paying AVCs you should review your investment strategy on a regular basis, and ensure it remains appropriate to meet your objectives at retirement.

If you are an active member and not already doing so, you may like to consider paying AVCs as these are a simple and effective way to supplement your benefits from the Scheme and you can choose how much you pay each month. AVC payments count against your Annual Allowance.

If you are invested in the Lifestyle strategy it is particularly important to keep the administration team advised of your Selected Retirement Age as your investments will switch automatically 5 years prior to your Selected Retirement Age.

## Greater Flexibility in Defined Contribution (DC) Pensions

In his March 2014 Budget, the Chancellor announced a shake-up of UK pensions – giving DC pension savers much greater flexibility over how they draw their savings. Most of these changes came into effect from April 2015.

The table below summarises the current rules and the proposed new flexibility:

Previous rule	New flexibility
Pension savers over age 60 with a pension fund (in any one arrangement) worth less than a cash value of £2,000 may take that fund as a lump sum regardless of their total pension savings.	<b>From 27 March 2014</b> , the pension value increased to <b>£10,000</b> . <b>Available from age 55 from April 2015.</b>
Pension savers over age 60 who have overall pension savings (excluding State Pension) worth less than a cash value of £18,000 can take them all as a lump sum.	<b>From 27 March 2014</b> , the overall pension savings value increased to <b>£30,000</b> . <b>Available from age 55 from April 2015.</b>
Pension savers must buy an annuity with the proceeds of Additional Voluntary Contributions (AVCs) or DC savings remaining after they draw up to 25% of their savings as tax-free cash.	<b>From April 2015</b> , individuals have complete freedom in how they draw their DC savings which is subject to tax on the amounts not taken as tax-free cash.

The Scheme Rules currently allow members with AVCs to transfer their AVCs out of the Scheme to an alternative arrangement separately from their main Scheme benefits. Scheme members with AVCs will also be able to access independent guidance as they approach retirement to help them understand their options.

Following the introduction in the 2014 Budget of the changes described above, the Government considered banning transfers from DB arrangements, such as the Scheme, to DC arrangements. It has decided that such transfers will continue to be allowed, but from April 2015 members first have to show that they have taken financial advice before they can transfer benefits (including AVCs) out of DB pension arrangements to DC pension arrangements. Members of the Scheme will be able to take advantage of this opportunity as part of their retirement options. The Trustees will review the Scheme Rules in light of the 2014 Budget changes. Members will be updated in future newsletters should the benefit options widen.

**Please note** – it is important that you seek independent financial advice when making decisions about your plans for retirement. If you think you may be affected by any of the changes outlined in this newsletter, or would like to discuss your options in more detail, we recommend you speak to an Impartial Financial Adviser. You can find details of Impartial Financial Advisers in your area by visiting [www.unbiased.co.uk](http://www.unbiased.co.uk)

# Scheme Update

**Scheme Accounts** The following figures have been extracted from the Scheme accounts for the year ended 31 March 2014. Copies are available on request.

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.

	2014 £000s	2013 £000s
<b>Receipts:</b>		
Contributions	77,905	86,008
Other income	11	1
Total receipts	77,916	86,009
<b>Payments:</b>		
Benefit payments	118,066	119,061
Payments to and on account of leavers	2,372	34,227
Other payments	86	0
Administration expenses	39	5,080
Total payments	120,563	153,368
Fund at the beginning of the year	2,466,074	2,354,765
Excess of payments over receipts	(42,647)	(72,359)
Net returns on investments	85,373	183,668
Fund at 31 March 2014	<b>2,508,800</b>	<b>2,466,074</b>
<b>The Fund comprises:</b>		
Main Scheme Investments	2,498,237	2,451,660
AVC Scheme Assets	9,811	10,194
Net Current Assets	752	4,220
	<b>2,508,800</b>	<b>2,466,074</b>

## Who's in the Scheme?

Active Members	624
	668
Deferred Members	9,782
	10,457
Pensioners and Dependants	19,803
	20,006

Figures as at ■ 31 March 2014 ■ 31 March 2013

## Trustee Board **The Trustee of the Scheme is looking for nominations for a new Member-Nominated Trustee Director (MND) from the Scheme's pensioner membership.**

Geoff Marsh's term of co-opting, following the retirement of Tanja Osmond Clarke in 2013, expired in November 2014 although, as permitted by legislation, the Trustee agreed to extend his term of office for an interim period until a new selection process for the pensioner MND vacancy had been run. Geoff has agreed to be nominated to continue as an MND drawn from the pensioner members for a new five-year term of office. However, nominations are also sought from other pensioner members.

If you are a pensioner member of the Scheme and interested in putting yourself forward for the MND vacancy please complete the nomination form attached and ask ten pensioner 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 19 June 2015. 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 MND 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 2015-16 members' newsletter.

Justin Penney's period of office as a MND also expired recently. However, the Company and the Trustee have agreed to make some changes to the Trustee Board. From 1 December 2014 the number of Company-Appointed Trustee Directors has been reduced from five to four with up to two of these Trustee Directors being non-Scheme members who do not need to be employees of the Akzo Nobel Group. The number of MNDs has also reduced, from five to four, with two MNDs being selected from the active membership, one from the pensioner membership and one from the pensioner or deferred membership of the Scheme.

The current Trustee Directors are:

Company-Appointed Trustee Directors		Member-Nominated Trustee Directors	
Richard Waterbury	Retired	Russell Deane	Powder Coatings (active member constituency)
Jon Dixon	International Paints	Paul Brennan	Industrial Coatings (active member constituency)
Jasbir Gill	Akzo Nobel NV	Geoff Marsh	Retired (pensioner constituency)
Julie Shannon	Retired	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.

# Summary Funding Statement

as at March 2014

It is a legal requirement for Defined Benefit (DB) schemes like 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 2012 Formal Valuation

The latest formal funding valuation showed that as at 31 March 2012 the funding position of the Scheme was:

	£ million
Total value of accrued liabilities	2,698
Market value of assets (excluding escrow account)	2,355
Shortfall	343
<b>Funding level</b>	<b>87%</b>

At 31 March 2012, the balance remaining in the escrow account was £123 million (see page 1 for a definition of the escrow account). Including this, the funding level was 92%.

## The 2014 Actuarial Update Report

The Scheme Actuary has produced an Actuarial Update Report, required under the scheme-specific funding regime, as at 31 March 2014. This provides an approximate update to the funding level of the Scheme on an ongoing basis.

As at 31 March 2014 the approximate funding position of the Scheme was as follows. The position as at the 31 March 2013 approximate update is shown for comparison:

	£ million 31 March 2013	£ million 31 March 2014
Total value of accrued liabilities	2,805	2,760
Market value of assets (excluding escrow account)	2,466	2,509
Shortfall	339	251
<b>Funding level</b>	<b>88%</b>	<b>91%</b>

At 31 March 2014, the balance remaining in the escrow account was £86 million (£109 million as at 31 March 2013). Including this, the shortfall was £165 million as at 31 March 2014 (£230 million as at 31 March 2013).

The improvement in funding level and reduction in the shortfall over the 12 months to 31 March 2014 is mainly due to a deficit contribution from the Company of £42 million in March 2014. In addition changes in financial market conditions, which affect both the market value of the Scheme assets and the assumptions used to calculate the liabilities, had a positive impact overall.

### Shortfall reduction plan

The Trustee and Company agreed that the shortfall, recorded at the 2012 Formal Valuation, would be eliminated through the following steps:

- 1. Continuing 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. A minimum rate of £25 million a year will be transferred from the escrow account into the Scheme, providing the funding of the Scheme still requires these contributions.
- 2. Additional deficit contributions to be paid by the Company into the Scheme at a rate of £42 million a year for six years** – The first contribution of this series was paid in March 2013, and the agreement envisages that these contributions will continue at this rate until 31 March 2018.

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 to be achieved by 31 March 2018.

The next Formal Valuation will be as at 31 March 2015.

### Other Information

The Pensions Act 2004 requires certain additional items of information to be provided to members.

#### 1. Payment to the Company or modifications imposed by the Regulator

There is a requirement to report whether any payment 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.

## 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 2014, 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 2012.

### Actuarial Update Report

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

The last Actuarial Update Report was completed as at 31 March 2014.

### 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 2012 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**  
**26th Floor**  
**Portland House**  
**Bressenden Place**  
**London SW1E 5BH**  
**(email: [matthew.trueblood@akzonobel.com](mailto:matthew.trueblood@akzonobel.com))**

## 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 Towers Watson, who have provided further details on this website [www.towerswatson.com/personal-data](http://www.towerswatson.com/personal-data)



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

AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. Calling on centuries of expertise, we supply industries and consumers worldwide with innovative products and sustainable technologies designed to meet the growing demands of our fast-changing planet. Headquartered in Amsterdam, the Netherlands, we have approximately 47,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as one of the leaders in the area of sustainability, we are committed to making life more liveable and our cities more human.

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