

Members' ²⁰²² Newsletter

Akzo Nobel (CPS) Pension Scheme

Trustee's review 2021/22

Welcome to the 2021/22 edition of the Members' Newsletter. This contains our review of pensions news covering both what's happened in the Scheme and other pension matters of interest to members.

Contents

- 2 Funding of the Scheme
- 4 Who's in the Scheme
- 5 Trustee Update
- 6 Highlights from the Report & Accounts
- 8 Equalisation of Guaranteed Minimum Pension benefits
- 9 Pension scams focusing on transfers
- 10 Scheme news
- 11 Keeping in touch with the Scheme

Funding of the Scheme

It is a legal requirement for defined benefit schemes like CPS to provide members with an update on the funding level of the Scheme.

The Scheme's funding level is fully assessed by way of an Actuarial Valuation report every three years. The most recent formal valuation of the Scheme's funding level was undertaken as at 31 March 2020 and we report on this below as well as providing an update on the position as at 31 March 2021. In the years where a full valuation is not carried out, less detailed updates on the funding level are carried out on an estimated basis.

Position as at 31 March	2021 (£m)	2020 (£m)	2017 (£m)
Total value of accrued liabilities	3,398	3,495	3,523
Market value of assets (excluding Additional Voluntary Contributions (AVCs))	3,454	3,433	3,400
(Shortfall)/ Surplus	56	(62)	(123)
Funding level	102%	98%	96%

As the table above shows, the funding of the Scheme continues to improve. The improvement over the three years to March 2020 was chiefly due to deficit contributions from AkzoNobel (the Company) (£73m) and strong performance from the Scheme's investments. Counteracting these positive factors were the continuing effect of very low expected returns on future investments and the impact of the Government's announcement to reform Retail Price Index (RPI).

Reflecting the improved funding position revealed by the 2020 valuation, the Trustee and Company agreed the following package for the ongoing funding and security of the Scheme.

- The terms of the guarantee from the parent company Akzo Nobel NV to the Scheme were improved for the long-term benefit of the Scheme.
- AkzoNobel made a deficit contribution of £26.1m in March 2021 and £3.7m in March 2022. No further deficit contributions are expected though this could of course change if a shortfall was identified at a future valuation.
- Recognition that March 2020 had been a particularly strained point for investment markets – the valuation took place one week after the start of the COVID-19 lockdown. Asset values and discount rates were considerably distorted and the Trustee agreed to reflect some of the post-valuation correction in the funding settlement.

The escrow account set up after the 2017 actuarial valuation will be emptied by the March 2022 contribution from the Company and will be closed thereafter.

Over the year to 31 March 2021, the market correction and the £26.1m deficit contribution referred to above had a positive impact on the Scheme's assessed financial position, although this was offset to some extent by an increase in inflation expectations.

The next full valuation will be carried out as at 31 March 2023 and this will assess whether there is any shortfall in the Scheme and if any resumption of deficit contributions may be required, when taken together with expected future investment returns on the Scheme's assets. The results are likely to be published in the second quarter of 2024.

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

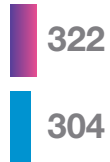
The solvency valuation of the Scheme at 31 March 2020 showed that if the Scheme had been wound up at that date and the benefits secured with an insurance company, the value of the Scheme's assets was estimated to be around 87% of the amount needed to secure the benefits earned to that date. On this basis, additional assets of some £504m would have been required to secure the members' benefits in full with an insurance company. The equivalent funding level at March 2017 was 78%, and there had been a further improvement in the estimated solvency funding level at 31 March 2021 to 88%.

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.

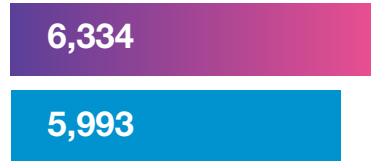
The Trustee can also confirm, as required by law, that there has not been any payment to the Company out of the Scheme's funds in the last 24 months and the Scheme has not been modified or any directions or schedule of contributions imposed on the Scheme by the Pensions Regulator.

Who's in the Scheme

Contributing Members





Deferred Members



Pensioners and Dependants



Figures as at  31 March 2021  31 March 2020

Trustee Update

Since the last newsletter there have been a number of changes to the Trustee Board.

Geoff Marsh has been re-appointed as member-nominated director drawn from the pensioner members following a nomination and selection process.

After many years on the Board Jon Bradley resigned as a member-nominated director. The remaining directors would like to express their appreciation for all of Jon's hard work while working for the Scheme.

The current Trustee Directors are:

Company-Appointed Trustee Directors		Member-Nominated Trustee Directors (MNDs)	
Julie Shannon	Retired	Geoff Marsh	Retired
Jill Mellor	Contributing Member	Ian Walton	Retired
Vacancy		Jim Kavanagh	Contributing member
Vacancy		Vacancy	
The Law Debenture Pension Trust Corporation p.l.c. – Independent Trustee			

Ms Julie Shannon serves as Chair of the Board of Trustee Directors.

The Trustee is currently reviewing the governance structure of the Trustee Board and what additional resources and skills may be needed going forward in view of the increasing complexity and demands of pension scheme governance. Once this has been decided, the Trustee Directors will advise the membership of the outcome.

Highlights from the Report & Accounts

This extract is a summary of the information relating to both the Fund Account and Net Asset Statement taken from the statutory accounts which were independently audited by KPMG. KPMG issued an unqualified audit opinion about the truth and fairness of the financial statements and an unqualified audit statement about contributions.

Scheme accounts

The following figures have been extracted from the Scheme accounts for the year ended 31 March 2021. Copies of the full report are available on request.

	2021 £000's	2020 £000's
Receipts:		
Contributions	32,184	32,766
Total receipts	32,184	32,766
Payments:		
Benefit payments	122,639	124,393
Transfers out	18,869	23,039
Administration expenses	5	8
Total payments	141,513	147,440
Fund at the beginning of the year	3,437,575	3,399,947
Excess of payments over receipts	(109,329)	(114,674)
Net (decrease)/increase from investments during the year	129,807	152,302
Fund at 31 March	3,458,053	3,437,575
The Scheme comprises:		
Main Scheme Investments	3,450,749	3,430,043
AVC Scheme Assets	4,171	4,141
Net Current Assets	3,133	3,391
	3,458,053	3,437,575



Equalisation of GMP benefits

Before 1997, certain members of the Scheme earned a minimum level of pension known as the Guaranteed Minimum Pension (GMP). GMP was earned at different rates for men and women.

Men and women become entitled to their GMP at different ages (age 60 for women and age 65 for men). For many schemes, there is a difference in the way that GMP is increased before and after payment, compared with pension in excess of GMP. For these reasons, the effects of GMPs on men and women are often unequal. GMPs were based on the State Pension Age which, at the time, was different for men and women and this led to inequality.

In October 2018, the High Court ruled that GMPs must now be equalised for men and women. The Department for Work and Pensions and other industry bodies have published guidance over recent months to help schemes with GMP equalisation. The Trustee will keep you informed as this progresses and will let you know if your benefits are likely to be affected (any changes required are likely to be small and the pension you are currently receiving will not reduce). If any increase to your benefit is required as a result of this complex project, this is likely to be put into payment in 2024.

Pension scams focussing on transfers

Across all UK pension schemes, in the first 5 months of 2021 a total of £2,241,774 was reportedly lost to pension scammers. Some victims of pension scams don't report that they have been scammed or do not realise they have been scammed until years later, so the total amount lost may be much higher.

The average loss in 2020 was £50,949, according to complaints filed with Action Fraud – more than double the previous year's average (£23,689). Scammers target pension pots big and small, with reported losses ranging from under £1,000 to as much as £500,000.

One method of scamming on the rise is a 'free' online pension review. It would be advisable to avoid responding to such 'free' offers and only take advice from a qualified and reputable Independent Financial Adviser.

You may wish to take the Financial Conduct Authority scam quiz to find out how susceptible you might be to a scammer: **www.fca.org.uk/scamsmart/pensions-scam-quiz**

Since December 2021, new regulations have introduced additional checks that the Trustee must now carry out to check that any transfer out from the Scheme is being made to an appropriate arrangement or that the transferring member understands the risks if the arrangement doesn't appear completely 'safe'. It is possible these checks may extend the time it takes to complete a transfer out of the Scheme.



Scheme news

Increase to 'minimum pension age'

Unless you are entitled to draw your benefits from a specific age (and no consent is required from the Trustee or Company), the law sets a minimum age from which you can draw your pension benefits from the Scheme or any other pension arrangement. This is currently age 55.

The Government has recently changed the law and from April 2028 this minimum pension age will rise to age 57. If you are entitled under the Scheme rules to draw your benefits from an earlier age, this entitlement will be preserved.

Focus on Sustainable Investment

In recent years, the Trustee has taken material steps to reduce the risk to the Scheme's funding level from volatility in asset values. This progress is evidenced by the strong and stable funding percentages shown in the funding level in the earlier section in the newsletter.

At December 2021, 80% of the assets were held in UK government bonds or high quality corporate bonds issued by major global businesses, plus cash held for benefits about to be paid out. The balance of the assets is held in equities (5%), UK property (8%) and other 'secure income' assets such as infrastructure designed to provide steady inflation-protected income to the Scheme. Over the past year, the Trustee has formed a Sustainable Investing Group (SIG) which has started the complex task of understanding the carbon footprint of the Scheme's current investments as well as other societal and governance features. Due to its size, the Scheme needs to produce a report in Autumn 2023 disclosing how the assets are exposed to climate-change risk and what steps the Trustee is taking to reduce this exposure. This will be a significant piece of work and members will be signposted to the report once published.

Advice for members approaching retirement

The Trustee is aware that choosing when and in what form to draw benefits from the Scheme, including whether to consider a transfer to another arrangement, can be a complex and difficult decision. It can also be difficult for members to find a reputable financial adviser on acceptable terms.

The Trustee has therefore appointed a specialist adviser firm which is able to provide regulated advice to members aged over 55 at fee rates considerably lower than available 'on the high street'. The Scheme administrator has worked with the adviser firm to help them understand the complexities of the Scheme benefits so the process should work efficiently. Once launched, eligible members will be advised of the terms of the offering when they approach the administrators for a retirement or transfer quotation.

Keeping in touch with the Scheme

From later this year, pensioner members will be able to log onto the pension administration system, view monthly payslips, amend their contact or other details and specify how they would like to be contacted in future. WTW (formerly Willis Towers Watson), the Scheme administrator, will be writing out in phases to the membership with login details and eventually we hope to offer this facility to all members.

**There are a number of Scheme documents available in respect of the Akzo Nobel (CPS) Pension Scheme. These are available on the Scheme's website:
www.akzonobelcspensionscheme.co.uk**

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 contributing members.

Annual Scheme Report and Accounts

This shows the Scheme's income and expenditure over the year to March 2021, 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 2020.

Actuarial Update Report

This provides a short-form update to the ongoing position. The last Actuarial Update Report was completed as at 31 March 2021.

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 2020 valuation.



www.akzonobel.com

We supply the sustainable and innovative paints and coatings that our customers, communities – and the environment – are increasingly relying on. That's why everything we do starts with People. Planet. Paint. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. We're active in more than 150 countries and have set our sights on becoming the global industry leader. It's what you'd expect from a pioneering paints company that's committed to science-based targets and is taking genuine action to address globally relevant challenges and protect future generations.

For more information please visit www.akzonobel.com.

© 2022 Akzo Nobel N.V. All rights reserved

More Information

If you have a question about the information in this newsletter, please contact **the Secretary to the Trustee Akzo Nobel (CPS) Pension Trustee Limited, The AkzoNobel Building, Wexham Road, Slough, SL2 5DS.**

For general questions about pensions, the Scheme, your individual benefits or about your pension payslip please contact the administration team – **cps.pacontact@willistowerswatson.com**

To help us respond to your enquiry and avoid delay, please ensure you have included your month of birth, postcode and the last 4 characters of your National Insurance number in your email.

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 WTW, who have provided further details on this website:

www.willistowerswatson.com/personal-data