



PENSION
FUND



ICI Pension Fund (the 'Fund')

Summary Funding Statement

August 2019

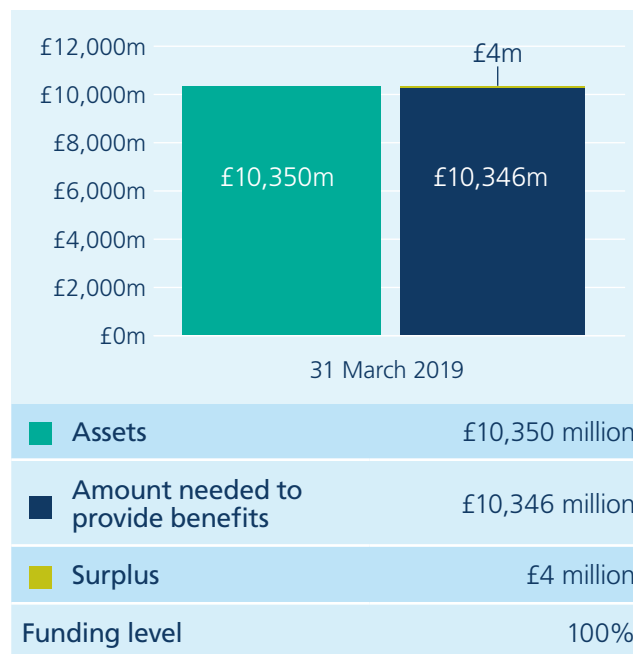
This statement has been produced by ICI Pensions Trustee Limited which is the Trustee responsible for administering the Fund. As you are entitled to benefits from the Fund, we are giving you an update on the Fund's financial position. We will produce a statement like this regularly so that you have updated information about the funding position.

The last Summary Funding Statement in March 2019 showed the results of the actuarial valuation as at 31 March 2017 and how the funding position had changed over the year to 31 March 2018. This statement updates the position to reflect the results of the interim review as at 31 March 2019. An actuarial valuation is a comprehensive formal review of the Fund's ongoing financial position, and includes a detailed consideration of the underlying funding assumptions. It covers matters such as the future investment performance of the Fund's assets and how long members' pensions are expected to be paid. An interim review is an update which reflects changes in the Fund since the previous valuation or review but is not as comprehensive as an actuarial valuation.

The funding position as at 31 March 2019

The last actuarial valuation of the Fund showed that on 31 March 2017 the value of the Fund's assets was £604 million less than the amount estimated to be needed to provide benefits earned up to the valuation date, as and when they become payable. The corresponding funding level (the ratio of the value of the Fund assets to the amount needed to provide benefits) was 95%. As a result, ICI agreed to pay additional deficit contributions that were expected to eliminate the shortfall by March 2019. Further details of this were provided in the Summary Funding Statement produced in March 2019 (available on the Fund's website at www.icipensionfund.org.uk under Library & Forms). That statement also indicated that the financial position had improved by 31 March 2018, with the Fund's shortfall in assets estimated to be £414 million.

An interim review to assess the financial position of the Fund as at 31 March 2019 has now been completed and shows the estimated position at that date to be as follows:



Over the year to 31 March 2019 the funding position has improved from a shortfall of £414 million to a surplus of £4 million. The main reason for the improvement over the year to 31 March 2019 is the deficit contributions of £125 million and £290 million received in January 2019 and March 2019 respectively.

Together with the deficit contribution of £125 million received in January 2018 these payments form the recovery plan agreed between the Trustee and ICI as part of the 2017 valuation.

Next actuarial valuation

The next actuarial valuation is expected to be undertaken as at 31 March 2020, with the results communicated in a Summary Funding Statement expected to be published in the first half of 2021. However, the Trustee or ICI can commission an earlier actuarial valuation of the Fund and, if appropriate, review ICI's contributions.

Guarantee from AkzoNobel N.V. ('AkzoNobel')

Since 2 January 2008, ICI has been a wholly-owned subsidiary of AkzoNobel. With effect from that date, the Fund also has the benefit of an unlimited guarantee from AkzoNobel of all ICI's obligations to make payments to the Fund in accordance with the Trust Deed, pensions legislation and any specific agreements between the Trustee and ICI (such as the schedule of contributions).

The importance of employer financial support (the 'employer covenant')

The Trustee's target funding level is to have enough money in the Fund to pay pensions in full, now and in the future. It is based on the assumption that ICI (supported as necessary by AkzoNobel) will be able to continue to support the Fund until all Fund benefits have been paid. ICI will continue to pay contributions, to meet the cost of employed members' benefit accrual, as well as the expenses of running the Fund. The funding level can fluctuate as a result of variables such as changes in investment conditions or as a result of improved life expectancy. When there is a funding shortfall, ICI (supported as necessary by AkzoNobel) will usually need to put in more money.

Unless the Fund is wound up, pensions will continue to be paid in full even if funding is temporarily below target.

Measuring the Fund deficit if the employer covenant were to weaken

The current approach to funding reflects the Trustee's assessment of the covenant of ICI (as supported by AkzoNobel) and ICI's continued ability to meet its ongoing obligations to the Fund. In the event that the Trustee were not able to rely on the financial support of ICI (or AkzoNobel) in the future as we can now, the funding requirement would be reassessed. This includes (but is not limited to) situations which could arise following a change in ownership of ICI (or of AkzoNobel).

The Trustee's funding policy has been developed to meet the UK regulatory regime for Scheme-Specific Funding (modified by the special protective provisions in the ICI Pension Fund Trust Deed), and

is set out in more detail in the Fund's Statement of Funding Principles (copies of which are available on request from ICI Pensions Services). These regulations assume that the valuation principles will normally be agreed between the Trustee and ICI. In the event of a failure to agree, the Pensions Regulator normally has power to decide for itself the actual level of employer contributions.

However, in certain circumstances, for example if AkzoNobel were to be taken over, or if its credit rating were to be significantly damaged, the Fund Actuary has an additional role in determining the employer contributions under the Fund's Trust Deed and Rules, and this is reflected in the Scheme-Specific Funding requirements. In the event of a failure of the Trustee and ICI to agree employer contributions in these circumstances, the Pensions Regulator would also have to take account of the relevant recommendations of the Fund Actuary. 'Scheme-Specific Funding' broadly requires the amount of money that the Fund needs to be set in order to provide reasonable security for members' accrued benefits. This depends on the specific circumstances of the Fund at the time and, in particular, on the extent to which it can confidently rely on ICI's and AkzoNobel's continued financial support.

Valuation on a solvency – or 'winding up' – basis

As part of the 2017 actuarial valuation, the Fund's solvency position was assessed. A solvency valuation assumes that all benefits will be secured by buying policies in the insurance market and estimates the total funds that this would require. The solvency valuation showed that if the Fund had started winding up as at 31 March 2017 there would have been a shortfall in assets of £1,030 million compared with the estimated cost of securing members' benefits in full by insurance companies. The solvency funding level as at 31 March 2017 was 91%. The interim review as at 31 March 2019 showed an estimated shortfall on this basis of £173 million, corresponding to a funding level of 98%, at that date. Insurance companies tend to charge a higher amount for insuring scheme liabilities than the value used by trustees for funding purposes.

What would happen if the Fund started to wind up?

The Fund can only be wound up if ICI goes into liquidation. In the event of this happening, ICI would have the obligation to pay enough into the Fund to enable members' benefits to be completely secured with an insurance company. If ICI itself could not pay, then the Trustee would look to AkzoNobel to make the payment instead under the terms of the guarantee. In the event that neither ICI nor AkzoNobel could pay this entire amount, you might not receive the full amount of pension you have built up (even if there was no deficit in the Fund based on the most recent actuarial valuation available at the time). This information is provided for completeness only and does not imply that the Fund is likely to wind-up.

If ICI were to go into liquidation, the Pension Protection Fund (PPF) should ensure that members receive a statutory minimum level of compensation. Further information and guidance is available on the PPF's website at www.ppf.co.uk or you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

No intervention by the Pensions Regulator

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 statutory funding objective, setting the terms of the recovery plan for meeting the statutory funding objective and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Fund.

No payments back to ICI

There has been no payment to ICI out of the Fund's assets over the period 1 April 2018 to 31 March 2019 nor, so far as the Trustee is aware, at any time previously to any company connected with ICI or with AkzoNobel. The Trust Deed which governs the Fund contains strict provisions about the payment of Fund money to employers. Essentially, payments can only be made to employers if the Fund is terminated at a time when it has more than enough money to secure every member's benefits in full.

Transferring your benefits out of the Fund

If you have not yet started receiving your Fund pension, you may wish to transfer your pension to another arrangement. It is possible that changes in the funding level or in the actuarial factors used by the Trustee could affect the level of future transfer payments. Details of transfer values are available on request from ICI Pensions Services (contact details are at the end of this statement).

Important: If you are thinking of leaving the Fund for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

Where can I get more information?

This Summary Funding Statement is based on the actuarial report of the Fund Actuary on the funding position as at 31 March 2019. If you would like any more information on this subject, copies of the 31 March 2017 actuarial valuation report and the actuarial reports as at 31 March 2018 and 31 March 2019 are available to members at a cost of £5 each by post from the address given below, or free by e-mail or direct from Fund's website.

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