



PENSION
FUND



ICI Pension Fund (the 'Fund')

Summary Funding Statement

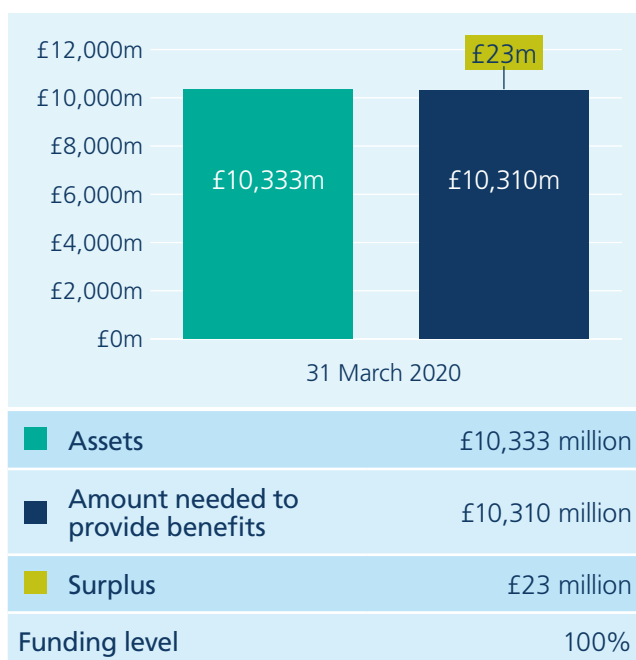
October 2021

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.

In August 2019, the previous Summary Funding Statement showed how the funding position had changed over the year to 31 March 2019. This year's statement sets out the results of the latest actuarial valuation, as at 31 March 2020, together with an update of the position to reflect the results of the interim review, as at 31 March 2021. The valuation is a comprehensive formal review of the Fund's financial position and includes a detailed consideration of the underlying funding assumptions. It covers matters such as the expected 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 2020

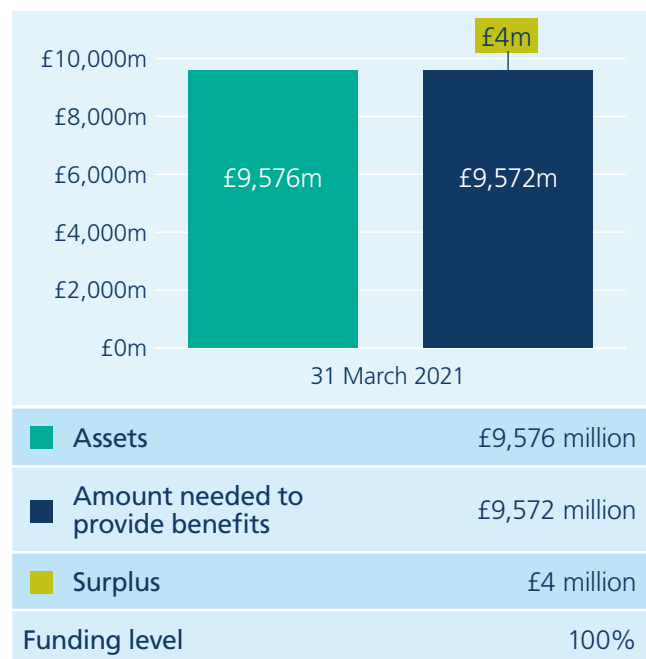
The actuarial valuation to assess the financial position of the Fund as at 31 March 2020 has now been completed. Based on the assumptions agreed by the Trustee and the Company for the purposes of the valuation, the funding position as at 31 March 2020 was calculated to be as follows:



The improvement in the financial position since the 2017 actuarial valuation is mainly due to the deficit contributions paid over the inter-valuation period.

The funding position as at 31 March 2021

An interim review to assess the financial position of the Fund as at 31 March 2021 has also been completed. As expected, given the low-risk investment strategy being followed, this shows the estimated position at that date to be essentially unchanged from the year before with the funding level remaining at 100%.



Over the year to 31 March 2021 the main reason for the small reduction in the surplus, from £23 million to £4 million, was the effect of increased inflation expectations on the amount needed to provide benefits compared to the effect on the Fund's assets.

Next actuarial valuation

The next actuarial valuation is expected to be undertaken as at 31 March 2023. However, the Trustee or ICI can commission an earlier actuarial valuation of the Fund and, if appropriate, review ICI's contributions. For years when an actuarial valuation is not undertaken, a review of the financial position of the Fund will be completed and the results communicated to members in future Summary Funding Statements. The next Summary Funding Statement is expected to be published in 2022 and to contain an update of the funding position as at 31 March 2022.

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 actuarial valuation as at 31 March 2020, the Fund’s solvency position was assessed. A solvency valuation assumes that all benefits earned up to the valuation date 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 2020, there would have been a shortfall in assets of £78 million compared with the estimated cost of securing members’ benefits in full with insurance companies. The solvency funding level as at 31 March 2020 was 99%. 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 since the date of the last Summary Funding Statement 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 valuation of the Fund Actuary on the funding position as at 31 March 2020 and the actuarial report on the position as at 31 March 2021. If you would like any more information on this subject, copies of the 31 March 2020 actuarial valuation report and the actuarial report as at 31 March 2021 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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