



ICI Pension Fund

**Actuarial report on
developments in the funding
position to 31 March 2015**

28 July 2015

ICI Pension Fund Actuarial report as at 31 March 2015

Addressee

This report in respect of the ICI Pension Fund (the “Fund”) was commissioned by and is addressed to ICI Pensions Trustee Limited (the “Trustee”). Under the legislation the Trustee must make the report available to Imperial Chemicals Industries Limited (the “Company”) within seven days of receipt.

Purpose

Following the completion of the actuarial valuation of the Fund as at 31 March 2014, the Trustee is required (under Section 224 of the Pensions Act 2004) to obtain either:

- a full actuarial valuation each year, or
- an annual “actuarial report” covering factors affecting the funding position, with a full actuarial valuation every three years.

The purpose of this actuarial report is to provide an approximate update of the Fund’s funding position as at 31 March 2015. The report should be considered in conjunction with the report on the actuarial valuation of the Fund as at 31 March 2014, dated 17 July 2015.

Professional guidance

This report falls within the scope of, and complies with, four Technical Actuarial Standards (TASs) published by the Board of Actuarial Standards, TAS R: Reporting Actuarial Information, TAS D: Data, TAS M: Modelling and the Pensions TAS. In this context the Trustee should be considered to be the sole user of this report.

A glossary of the technical terms used in this report is provided in the Appendix A.

Data provided and approach taken

Details of the Fund’s assets and the transactions over the last year have been taken from the latest draft Fund accounts. The market value of the Fund’s assets as at 31 March 2015 was £9,806 million (including £3 million related to members’ additional voluntary contributions).

The market value of assets shown in the draft accounts includes a value for the bulk annuity policies of £4,766 million as at 31 March 2015. For consistency with the treatment of the liabilities covered by the annuity policies within the calculation of the technical provisions, the market value of the annuity policies shown in the draft accounts is replaced for the purpose of assessing the total asset value that is compared with the technical provisions.

Detailed membership data as at 31 March 2015 and membership changes since 31 March 2014 have been provided. A summary of the membership data is set out in the Appendix B to this report. The data has been used to carry out detailed liability calculations, based on the benefits set out in the Fund’s Trust Deed and Rules dated 6 April 2006 (as subsequently amended) as summarised in the ‘Benefits summary’ section of my report on the 2014 actuarial valuation dated 17 July 2015.

Assumptions

The principal financial assumptions adopted for this report and those used for the actuarial valuation as at 31 March 2014 are as follows:

Assumed future rate of:	31 March 2014 % pa	31 March 2015 % pa
Real (relative to RPI price inflation) discount rate	Real gilt curve*	Real gilt curve**
RPI price inflation	3.45	3.0
CPI price inflation	2.45	2.0
Pensionable earnings increases	4.45	4.0
Statutory deferred pension revaluation	2.45	2.0
Pension increases:		
- RPI minimum 0% pa, maximum 5% pa	3.35	3.0
- CPI minimum 0% pa, maximum 3% pa	2.25	1.9
- RPI minimum 3% pa, maximum 5% pa	3.75	3.55

* With the exception of benefits covered by the bulk annuity policies, an addition of 0.8% in the first year and 0.6% in years 2 to 6 (i.e. until 31 March 2020) are included within the discount rate.

** With the exception of benefits covered by the bulk annuity policies, an addition of 0.55% for the first 5 years (i.e. until 31 March 2020) is included within the discount rate.

The demographic assumptions used for the purposes of this report are those adopted for the actuarial valuation as at 31 March 2014, as set out in the statement of funding principles dated 17 July 2015.

In my opinion the assumptions used for this report are consistent with the statement of funding principles adopted by the Trustee dated 17 July 2015, allowing for changes in investment market conditions since the 2014 valuation date.

It should be noted, however, that I have set the assumptions as at 31 March 2015 without input from the Trustee or the Company, which is consistent with the relevant legislative requirements. It may be that different assumptions would have been used if a formal valuation had been undertaken at this date, which would have involved discussions between the Trustee and the Company and a full review of the current statement of funding principles.

Results

Based on the calculation approach and assumptions described in this report, the estimated financial position of the Fund as at 31 March 2015 is set out in the following table, together with the corresponding figures for the most recent actuarial valuation.

Valuation statement as at 31 March:	31 March 2014 £m	31 March 2015 £m
Amount required to provide for the Fund's liabilities of:		
Current pensioners and dependants	7,616	8,255
Deferred pensioners	1,364	1,720
Members in employment (service to the valuation date)	291	319
Collateral reserve	23	29
AVCs and other money purchase benefits	3	3
Technical provisions	9,297	10,326
Market value of assets*	8,447	9,575
Shortfall (technical provisions less assets)	850	751
Funding level (assets ÷ technical provisions)	90.9%	92.7%

* includes £4,534 million at 31 March 2015 (£3,469 million at 31 March 2014) in respect of the value of bulk annuity policies (using the method and assumptions to assess the value of the corresponding liabilities covered by the annuity policies to include in the technical provisions).

The technical provisions do not include allowance for the potential additional costs that could result from meeting GMP equalisation requirements.

The results indicate a shortfall in the Fund assets compared with the technical provisions of £751 million and a funding level of 92.7%. This is higher than the funding level at 31 March 2014 of 90.9%. The main reasons for this are the deficit contribution received in January 2015 and because the actual pension increase granted in November 2014 was less than assumed in the 2014 valuation. Over the year, the investment return on the Fund's assets has been broadly sufficient to keep pace with the growth in the value of liabilities (as a result of interest and the effect of changes in financial assumptions – predominately as a result of falls in gilt yields).

Conclusions

The results set out in this report show that the ongoing funding level of the Fund has increased over the year following the 31 March 2014 actuarial valuation from 90.9% to 92.7%. The primary reason for the improvement is the payment of contributions, in accordance with the agreed recovery plan, during this period.



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28 July 2015

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I have prepared this report for ICI Pensions Trustee Limited. I have prepared it to provide an approximate update as to the financial position of the Fund and to satisfy the statutory requirements referred to in this report. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Fund for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from any third party relying on this report.

This report is based on data available to me, and takes no account of developments after the effective date of the update (31 March 2015) except where explicitly stated otherwise. The Trustee is responsible for the data on which this report is based. I have no reason to doubt its appropriateness for this purpose, but neither is it possible for me to confirm that it is correct.

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Appendix A

Glossary

- **CPI:** Consumer Prices Index.
- **Recovery plan:** this is a plan, to be agreed between the trustees and the employer, to set out the steps to be taken to ensure there are sufficient assets to cover the technical provisions, where there is currently a deficit.
- **RPI:** Retail Prices Index.
- **Statement of funding principles:** the trustees are responsible for preparing this document with the agreement of the employer. This sets out the policy for ensuring that the statutory funding objective is met, and in particular the assumptions for calculating the technical provisions.
- **Statutory funding objective:** this requires a scheme to have sufficient and appropriate assets to cover its technical provisions.
- **Technical provisions:** this is the funding target, equal to the actuarial value placed on the benefits already accrued under the scheme. This value is dependent on the funding method and assumptions chosen for the calculation – both are set out in the statement of funding principles.

Appendix B

Fund membership data

The Trustee's membership information as at 31 March 2015, which was supplied to us by the Fund's administrator, is summarised below together, for ease of reference, with a summary of the membership data provided for the actuarial valuation as at 31 March 2014. The average ages provided are weighted by pensionable earnings for active members and by pension for other members.

Active members	31 March 2015			31 March 2014		
	Number	Pensionable earnings (£m pa)	Average age	Number	Pensionable earnings (£m pa)	Average age
Holden	74	2.4	53	91	2.8	52
ICI	271	14.6	53	325	17.3	52
Total	345	17.0	53	416	20.1	52

Deferred members	31 March 2015			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	47	0.2	56	51	0.2	55
Camtex	41	0.1	59	49	0.1	59
Holden	137	0.7	55	138	0.6	55
ICI	8,868	45.2	53	9,331	47.1	53
SAI	236	1.0	56	251	1.1	56
Total	9,329	47.2	53	9,820	49.1	53

Pensioners	31 March 2015			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	228	1.5	80	233	1.4	79
Camtex	222	0.4	76	235	0.4	76
Holden	185	1.5	71	179	1.4	70
ICI	29,960	381.1	75	31,013	385.3	75
SAI	435	3.6	76	444	3.6	76
Total	31,030	388.1	75	32,104	392.1	75

Widow(er)s	31 March 2015			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	89	0.4	81	94	0.4	80
Camtex	81	0.1	80	91	0.1	80
Holden	59	0.4	79	58	0.4	79
ICI	14,426	96.2	81	14,837	95.2	80
SAI	196	1.3	80	203	1.3	80
Total	14,851	98.4	81	15,283	97.4	80

In addition, as at 31 March 2015 there were 82 children's pensions in payment, totalling £0.4 million. The corresponding figures as at 31 March 2014 were 113 children with pensions totalling £0.4 million.

The data provided for this review excluded 89 deaths prior to the valuation date where entitlement to dependants' benefits had not been established when extracting information from the administrator's database. For the purpose of this review, allowance has been made for these deaths to give rise to dependants' benefits in line with the family statistics set out in the statement of funding principles. This is equivalent to additional annual dependants' pensions of £0.3 million as at 31 March 2015, with an underlying average age for these dependants of 79.