



ICI Pension Fund

**Actuarial report on
developments in the funding
position to 31 March 2013**

7 August 2013

ICI Pension Fund Actuarial report as at 31 March 2013

Addressee

This report in respect of the ICI Pension Fund (the "Fund") was commissioned by and is addressed to the 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 2011, 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 2013. The report should be considered in conjunction with the report on the actuarial valuation of the Fund as at 31 March 2011, dated 30 January 2012.

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 audited Fund accounts. The market value of the Fund's assets as at 31 March 2013 was £9,074 million (including £3 million related to members' additional voluntary contributions).

Detailed membership data as at 31 March 2013 and membership changes since 31 March 2011 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 Appendix A to my 30 January 2012 report on the 2011 actuarial valuation.

Assumptions

The principal financial assumptions adopted for this report and those used for the actuarial valuation as at 31 March 2011 are as follows:

Assumed future rate of:	31 March 2011 % pa	31 March 2013 % pa
Discount rates		
- pre-retirement	5.57	4.38
- post-retirement	4.71	3.40
RPI price inflation	3.6	3.5
CPI price inflation	2.7	2.6
Salary increases (excluding promotional allowance)	4.6	4.5
Pension increases (RPI min 0% pa, max 5% pa)	3.5	3.4
Pension increases (CPI min 0% pa, max 3% pa)	2.4	2.35
Pension Increases (RPI min 3% pa, max 5% pa)	3.8	3.75

The demographic assumptions used for the purposes of this report are those adopted for the actuarial valuation as at 31 March 2011, as set out in the statement of funding principles dated 30 January 2012.

In my opinion the assumptions used for this report are consistent with statement of funding principles adopted by the Trustee dated 30 January 2012 and allowing for changes in investment market conditions since the 2011 valuation date. Further information on the derivation of the financial assumptions was provided to the Trustee in my note of 25 June 2013.

It should be noted, however, that I have set the assumptions as at 31 March 2013 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 2013 is set out in the following table, together with the corresponding figures for the most recent actuarial valuation.

Valuation statement as at 31 March:	2011 £m	2013 £m
Technical provisions in respect of:		
Active members - in respect of completed service	207	285
Deferred pensioners	1,045	1,341
Pensioners and dependants	7,146	7,989
General de-risking reserve	100	129
Strategic de-risking reserve	240	272
AVCs	3	3
Total technical provisions	8,741	10,019
Market value of Fund assets	7,707	9,074
Past service deficit (technical provisions less assets)	1,034	945
Funding level (assets ÷ technical provisions)	88.2%	90.6%

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 £945 million and a funding level of 90.6%. This is higher than the funding level at 31 March 2011 of 88.2%. The reasons for the change over the last two years are as follows:

	2011/12 %	2012/13 %
Position at start of year	88.2	89.2
Anticipated position at end of year, allowing for agreed shortfall contributions	91.4	90.1
Impact of actual pension increase	(1.1)	0.0
Investment performance relative to benchmark return	(1.3)	1.9
Benchmark return relative to the assumptions	8.4	4.3
Changes in financial assumptions	(8.4)	(5.9)
Miscellaneous items	0.2	0.2
Position at end of year	89.2	90.6

Conclusions

The results set out in this report show that the ongoing funding level of the Fund has increased over the two years following the 31 March 2011 actuarial valuation from 88.2% to 90.6%. 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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7 August 2013

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I have prepared this report for the 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 2013) 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 2013, 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 2011. The average ages provided are weighted by pensionable earnings for active members and by pension for other members.

Active members	31 March 2011			31 March 2013		
	Number	Pensionable earnings (£m pa)	Average age	Number	Pensionable earnings (£m pa)	Average age
ICI	378	18.7	50	349	18.5	51
Holden	103	2.9	51	99	3.2	52
Total	481	21.6	50	448	21.7	51

Deferred members	31 March 2011			31 March 2013		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	74	0.3	55	55	0.2	54
Camtex	151	0.1	61	54	0.1	59
Holden	161	0.6	53	143	0.6	55
ICI	10,968	51.3	51	9,851	49.3	52
SAI	320	1.2	54	271	1.1	55
Total	11,674	53.5	51	10,374	51.3	52

Pensioners	31 March 2011			31 March 2013		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	261	1.4	77	241	1.4	78
Camtex	239	0.4	76	244	0.4	76
Holden	180	1.3	71	170	1.4	67
ICI	34,162	380.8	73	31,980	385.7	74
SAI	464	3.6	75	453	3.7	76
Total	35,306	387.5	73	33,088	392.6	74

Widowers	31 March 2011			31 March 2013		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	91	0.4	78	95	0.4	80
Camtex	107	0.1	78	94	0.1	79
Holden	60	0.4	78	62	0.5	78
ICI	15,945	88.3	79	15,193	93.8	80
SAI	229	1.3	80	205	1.3	80
Total	16,432	90.5	79	15,649	96.1	80

In addition, as at 31 March 2013 there were 92 children's pensions in payment, totalling £0.4 million. The corresponding figures as at 31 March 2011 were 116 children with pensions totalling £0.3 million.

The data provided for this review excluded 102 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 £0.2 million as at 31 March 2013, with an underlying average age for these dependants of 77.