



Dear Member

## Update on the actuarial valuation and funding

I am writing to you following the completion of the 31 March 2011 actuarial valuation of the ICI Pension Fund (the Fund) and the conclusion of our negotiations with AkzoNobel on ongoing funding to let you know the latest position. I would also like to share with you some exciting news regarding the relaunch of our website.

Although the economic backdrop remains challenging, I am pleased to tell you that we have agreed a robust six-year plan with AkzoNobel, the owners of ICI, to address the deficit that remains in the Fund, including provision to reduce risk. The key details are as follows:

- The Fund's funding level as at 31 March 2011 improved from 85% (as at the last actuarial valuation in March 2008) to 88% and the deficit reduced from £1,225 million to £1,034 million. Between 2008 and the end of 2011, ICI contributed a total of £525 million towards the repair of the deficit.
- Although the deficit remains higher than we would like, a key reason for this is that we have agreed with ICI to include in the liabilities reserves of £340 million to anticipate action that the Trustee plans to take to reduce risk in the Fund.
- In acknowledgment of the de-risking reserves, the Trustee also agreed with ICI to terminate a £250 million asset backed guarantee which was established in 2004 to provide additional funding on an insolvency of ICI. However, the unlimited parent company guarantee provided by AkzoNobel N.V., which covers all of ICI's obligations to the Fund, remains in place.
- ICI has agreed to make additional contributions to the Fund over the next six years to address the deficit. £335 million was paid in January this year. A further £135 million is payable in January 2013 and additional amounts of £178.5 million will be payable each January from 2014 to 2017 (inclusive). This payment plan means we remain on track to clear the deficit by January 2017 as agreed at the time of the 2008 actuarial valuation.

The agreement on funding reflects the continued emphasis placed by both parties on prudent financial management. The Trustee firmly believes that a lower-risk investment strategy would better protect members' interests and is very pleased that AkzoNobel is prepared to support this approach financially.

I enclose a Summary Funding Statement which provides you with more detailed information on the outcome of the actuarial valuation and the agreement reached with ICI, with AkzoNobel's support, on how the remaining deficit in the Fund will be met.

I am delighted to tell you that the Fund website will be relaunched later this month. The new format is designed to provide you with easy access to information about your benefits and a simpler way of keeping in touch with us. Do try it out at [www.icipensionfund.org.uk](http://www.icipensionfund.org.uk). We hope that you enjoy using the new website and look forward to hearing your thoughts in due course.

**David Gee**

Chairman, ICI Pensions Trustee Limited