



PENSION
FUND

PENSIONS NEWS

Chairman's message

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2009 will be remembered for many things. For businesses around the world, it has been the toughest economic environment since the early 80s. For a significant proportion of UK employees (AkzoNobel and ICI included), it will have been the first time in decades that no annual salary increase has been awarded. And yet, for financial markets, it has on balance been a year of recovery from the biggest financial crisis in 60 years.

For pensioners of the Fund, this is the first time for nearly 40 years that no annual pension increase has been awarded. This is not because of the financial condition of the Fund, which survived the financial crisis last year relatively well due to our lower-risk investment strategy. It is simply down to the fact that inflation (as defined by the Fund Rules) is negative. According to the Retail Prices Index at 31 July 2009, prices were actually 1.4% lower than in July 2008. However, Fund Rules protect pensions from being cut. So, despite inflation being negative, pensions will carry on being paid

at existing rates. If inflation is higher in July 2010 than in July 2009, then pension increases will resume next year.



The good news is that the Fund has weathered the financial storms of 2008 reasonably successfully and, as I explained in my letter to you back in March this year, we have also obtained a renewed commitment from ICI and AkzoNobel to make additional contributions towards the Fund deficit. As a result, we continue to be able to pay members' benefits, including the right to inflation-linked increases (up to 5% per year) as and when inflation returns. We also continue to monitor the financial health of the Fund on a regular basis and are once again including the result of the yearly reassessment in the enclosed Summary Funding Statement.

David Gee

Chairman

ICI Pensions Trustee Limited

Financial summary

Ins and outs of the Fund for the year to 31 March 2009

How the money came in	£m
Contributions	196
Other income	1
Investment income	108
Total income	305

How the money went out	
Pensions	-472
Cash lump sum in exchange for pension	-18
Transfers to other funds	-5
Total expenditure	-495

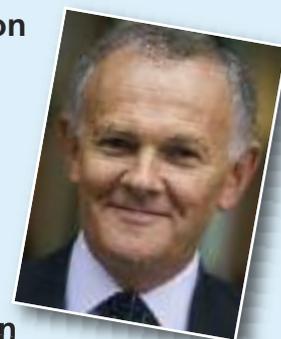
Change in the Fund	
Balance of income and expenditure	-190
Change in market value	-266
Total change in the Fund	-456

Total assets: £6,664 million

These figures have been extracted from the Fund's Annual Report and Accounts, as audited by KPMG LLP.

Actuarial update

The formal valuation of the Fund as at 31 March 2008 was signed off some eleven months later, and the revised Company contributions introduced between March and May 2009.



The details of the results are set out in the accompanying Summary Funding Statement. This also includes details of the approximate funding update as at 31 March 2009, which is part of the Trustee's process for monitoring how the agreed funding plan is developing.

The discussions between the Trustee and the Company on the results of the formal valuation were complicated by the adverse changes in investment markets in the second half of 2008. These changes were significant enough to require an explicit adjustment to the funding position, and for increased deficit contributions to be agreed. As mentioned in last year's update, the assumptions underlying the 2008 valuation included an explicit adjustment to allow for current and future pensioners, on average, living longer. This trend continues to be seen in the general population and the experience of ICI Fund pensioners will be monitored each year to check that our assumptions remain sufficiently prudent.

Robert Hails

Scheme Actuary, Watson Wyatt Limited

No pension increase – a sign of the times?

This is the first time most of us can remember when the Fund has not awarded an annual pensions increase. We understand how important inflation-linked increases are to members, so we have done our best to anticipate some of the questions that this could prompt.

Q: Why no increase this year?

This is because the Fund Rules on pension increases are tied to the movement in the Retail Prices Index (RPI) in July of each year. At 31 July 2009, the RPI was actually lower than at 31 July 2008, due mainly to lower prices for things like housing and petrol. However, Fund Rules prevent pensions from being cut when inflation is negative and will ensure that, as inflation picks up again, pension increases resume – although subject to an annual limit of 5%.

Q: Who decided to use the RPI index and picked July as the date?

This was written into Fund Rules by ICI in 1991, instead of the previous discretionary increases. Within the last decade, the Government has sponsored additional inflation indices, but the Trustee still has to follow the Fund Rules. In any case, other inflation indices tend to give similar results over longer periods of time.

Q: Is there no pension increase because of falling stock markets?

No, pension increases are driven solely by Fund Rules. They have nothing to do with short-term performance of the Fund's investments. Investment underperformance is dealt with through the valuation process (see actuarial update opposite) and is addressed through additional Company contributions spread over several years.

Q: What does this mean for deferred members?

Deferred pensions are revalued in accordance with the same rules as applied to pension increases.

Q: When inflation comes back again, could anyone stop us getting increases in future?

The RPI-linked annual increase formula is set out in the Trust Deed & Rules and by the 1995 Pensions Act. Neither the Trustee nor ICI or AkzoNobel can change this in relation to pensions already earned (although the Company may have some flexibility in relation to terms of future service by people still working for ICI). The only people who could possibly change pension rights already earned would be Parliament. A small but vocal minority of employer voices have been asking the Government to do just that – so, with a General Election due within the next year, it's a good opportunity to ask your local candidates where they stand on this question.

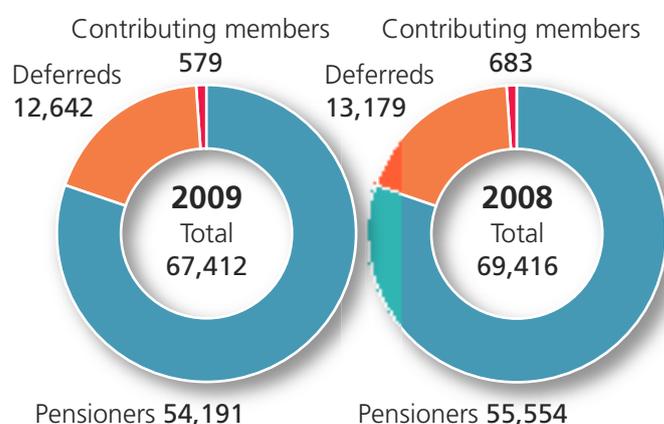
Fund membership

Membership has continued to decline over the past year as a result of the Fund being closed to new contributing members since 2000. The proportion of pensioner members to other membership categories is due to increase steadily, as active and deferred members become pensioners.

Age profile at 31 March 2009

This year we have also added in more detail to illustrate the significance of the age profile of our Fund – the graphic below sets out the number of members within age bands.

Member profile



Age range	n Pensioners and dependants	n Deferred members	n Contributing members
110-119	1	0	0
100-109	60	0	0
90-99	2,450	6	0
80-89	14,948	20	0
70-79	19,402	66	0
60-69	14,226	1,052	30
50-59	2,835	4,669	243
40-49	189	5,277	229
30-39	15	1,534	75
20-29	10	18	2
10-19	53	0	0
1-9	2	0	0
Totals	54,191	12,642	579

Investment review for the year ending March 2009

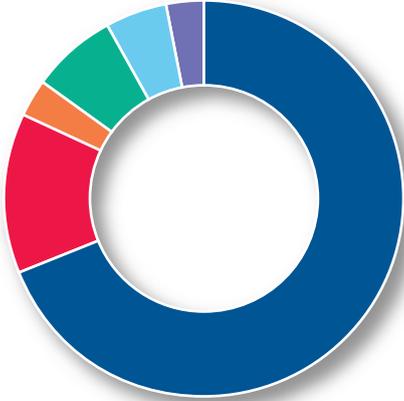
As a result of the Fund's lower-risk investment strategy, the Fund survived the financial storm of 2008 relatively well, losing less than 1% of investment value. This strategy is reflected in the benchmarks set by the Trustee Board, to measure how well each investment manager has performed. The table to the right shows the aggregate performance of the Fund's

investment managers over one, three and ten-year periods.

ICIPF – Performance vs Fund benchmark			
	Year 2008/9	Last 3 years	Last 10 years
Actual	-0.6%	2.8%	4.8%
Benchmark	0.9%	3.2%	4.5%

Update on current markets

How the Fund is invested



- n Inflation-protected bonds – 69%
- n Fixed-interest bonds – 13%
- n UK equities – 3%
- n Global equities – 7%
- n Emerging market/high yield and global bonds – 5%
- n Other – 3%

Note: Investments in pooled funds are included in the nearest equivalent asset class.

Last year saw a dramatic intensification of the 'credit crunch' that started in Summer 2007.

Over the year to 31 March 2009 the world economy entered a period of severe recession. Although equity markets initially staged a cautious recovery during the second quarter of 2008. Autumn saw a return to uncertainty and a full-scale financial crisis – with a major US investment bank (Lehman Brothers) going bankrupt and many UK banks needing rescue by the Government. The pressure on financial markets, combined with expectations of a global economic decline, caused a significant drop in the value of equities and poor performance in most other asset classes, such as property, bonds and cash.

What does this mean for...

...the Fund?

The Fund showed only a slight negative return in the year to 31 March 2009, and over the long term (10 years), there remains a positive return of 4.8%, 0.3% ahead of its benchmark.

...my pension?

As a final salary pension member, your benefits are linked to your salary and length of service, not investment performance, so these falls do not directly affect your benefits. What does matter is the ability of ICI, supported by the AkzoNobel guarantee, to

support the Fund over the long term through the recently agreed revised funding plan (see enclosed Summary Funding Statement).

...Additional Voluntary Contributions (AVCs)?

If you pay AVCs, the value of these is directly linked to the performance of the funds you chose, so you may be concerned about what this means for your pension.

Ill-advised, short-term decisions may make things worse over the longer term; the important thing is to seek independent financial advice.

If you're invested in a With-Profits Fund

Remember that there can be significant exit penalties for changing your investments. If you are nearing retirement, these exit penalties may be quite significant compared with any advantage you might hope to get from changing to another Fund; but you may also want greater certainty about what your AVC pot will provide. This is why taking your own independent advice is important – different people will have different priorities.

Note: The Company and the Trustee are not permitted to give you any financial advice, so if you're considering changing your AVC investment options, we suggest you speak to an Independent Financial Adviser by contacting IFA Promotion Ltd at: www.unbiased.co.uk

Being a Trustee Director

In recent interviews with Brian Bunt and David Loose we asked them to share with us their different experiences. Brian is one of the Fund's longest-standing Trustee Directors having joined in January 1998, and David is rejoining the board, having been appointed for the second time in March 2009.

Brian Bunt

Pensioner, Investment Committee member

Brian's witnessed a lot of change in the world of pensions, so we wanted to find out his thoughts on the past, the present and the future of pensions. Brian spent 42 years working as an electrician with ICI, up until retirement in 1992. Originally from Northwich, Cheshire, Brian spent his working life in Widnes and Runcorn. Brian's interest in pensions started in the 1970s when he was elected as the pension representative for the Northwest Pressure & Communications Group. Despite being busy on pensions, Brian manages to find time to tend his garden, play the piano (following a 40-year lapse) and – when he can fit them in – take holidays. Here are Brian's thoughts on his role as a Trustee Director and the world of pensions.



Q: What was different when you started in the 1970s?

This was a time when pensions were very different to what they are now; there was less public interest at that time, in contrast to today when they feature regularly in the headlines.

Q: What made you decide to take on the Trustee Director role?

It was an obvious decision to put the knowledge I had built up to good use and for the benefit of others. It allows me to continue in a role that I am passionate about and which is dear to my heart.

Q: What is the biggest challenge you have faced as a Trustee Director?

Changing our investment structure back in 2000. We moved a large proportion of our investments from equities to bonds. With hindsight it was fortunate that we took this action just before the stock market collapse of the time – it saved the Fund a lot of money.

Another major challenge was the takeover of ICI by AkzoNobel. Making sure that the process ran smoothly with as little effect on our members as possible was a priority. This was a busy time for the Fund; before then I had been to a lot of Trustee meetings, but never one that finished at 4.30am on a Monday morning!

Q: How has the UK pensions industry changed from since you started as a Trustee Director?

Regulation has changed a lot and there is a lot more public interest in pensions – every time you pick up a newspaper the word 'pensions' will appear in it somewhere. Being a Trustee Director was less demanding when I first took on the role with only about four meetings a year. Now it's not uncommon to be attending 20-plus Trustee meetings a year. In addition I have to maintain my knowledge; I am building up my collection of certificates of the Trustee qualifications and I now have more than when I was working for the Company!

David Loose

Pensioner, Policy & Administration Committee member

David joined ICI Paints straight from university over 30 years ago and started work as a Commercial Trainee for the Retail National Accounts Team. He's had a varied, multinational career and moved from building the Dulux Trade business in the UK, to Germany where he was 'Geschäftsführer', or Business Leader, before becoming Chief Executive Officer (CEO) for Continental Europe. Prior to retirement in April 2009, David was CEO for US Trade and Canada. He's a family man with two grown-up sons. He has a two-year old granddaughter in Ottawa and loves keeping up with her on Skype. David also likes listening to music and playing guitar. Here are his thoughts on being a Trustee Director, second time around!



Q: What interested you in becoming a Trustee Director both the first and second time around?

I was a Trustee Director for the Fund for five and a half years, from June 2001. I saw it as an opportunity to learn about a completely different subject, but I had no idea how different it was going to be and how much I was going to have to learn. Our Trustee Directors had to pass the Pensions Management Institute exam, and I hadn't taken an exam for years!

As a Trustee Director you can help make a contribution to people's future financial wellbeing so I was keen to be involved again when we got back to the UK. I was reappointed earlier this year and soon found how much things had moved on. Board members now have to complete the Pension Regulator's Trustee Toolkit, a training programme which helps us keep up to date.

Q: What has changed since the last time you were a Trustee Director for the Fund?

The most obvious change is that AkzoNobel is our new Fund guarantor. Like the former ICI, AkzoNobel is a major international company with strong corporate values and it has guaranteed all of ICI's obligations to the Fund – both under legislation and under the Trust Deed and Rules. Then there's our new and clearly separate Secretariat, 'Pensions Secretariat Services Limited' which is a wholly-owned subsidiary of the Fund. It's a strong, high-calibre team which handles all the strategic secretariat services to the Fund. There's also been lots of change in pensions funding regulations – things have become more technical and we often have scheme-specific training on key issues.

Q: What do you consider to be the three most important qualities of a trustee?

Integrity has to come first – trustees are in charge of other people's money! You also have to be willing to learn about important pension matters. The Board and its advisers have a broad mix of expertise and it's important to be a good team player to help get the best outcome for the members we serve.

Q: What do you think are the key challenges facing the UK pension industry or trustees over the next few years?

With people living longer the cost of providing their pensions is increasing because retirements have to be funded for longer. Costs are going up at a time when investment returns are under pressure and this is creating a challenging period. In these circumstances it's good to know that our Fund has a clear recovery plan and that AkzoNobel has agreed a revised schedule of contributions.

Secretary's postbag – Q&As

Q: Can I be sure that the Fund will look after my partner if I die first?

If you have been married for more than six months at the time of your death, your spouse will automatically be entitled to a pension based on your pension entitlement. If your spouse is more than 10 years younger than you (15 years if you were an ICI employee when you married) their pension is likely to be reduced. Since December 2006, Civil Partners may also have some rights.

If you are not married but have a partner, they may still be able to obtain a nominated dependant's pension. However, this is not payable automatically. Your partner will have to apply for this benefit and show that they meet all the relevant criteria. In broad terms, this means that they will have to show that they were financially dependant on you at the time of your death and also that they cannot meet their future living expenses without assistance from the Fund. Other eligibility rules also apply, so this means there is no guarantee that they would receive a pension. Where a nominated dependant's pension is

awarded, they may not receive the same level of pension as a spouse.

Usually, we will pay a nominated dependant's pension to the person listed on the Nominated Dependand's form completed by the member. However, the Trustee has the power to pay this pension to anyone it considers appropriate and who meets all the relevant criteria.

Decisions regarding nominated dependants' pensions are made based on your partner's eligibility at the time of your death, so we cannot say in advance whether they would qualify.

Q: I haven't filled in a Nominated Dependand's form – do I need to?

The Trustee has the power to award a nominated dependant's pension even if you haven't completed a Nominated Dependand's form. However, it is much better to complete a Nominated Dependand's form so that the Fund is clear about your preference. It is also important to remember to update this form if your personal circumstances change. If you need a form, please contact the Membership Secretary,

who will send you a copy. Contributing members can download a Nominated Dependand's form via the ePA (electronic Pensions Administration) system. This will also cover death-in-service benefits.

Q: Why can't I just call the helpline to change my bank account/address details?

The Trustee takes the security of your personal information very seriously. Given the rise in identity fraud, it is prudent to continue with the current practice of requiring members to request changes to their details in writing with the signature of the relevant member.

Q: Am I affected by the increase of the minimum age for early retirement from 50 to 55 from April 2010?

The vast majority of members of the Fund will not be affected by the change in legislation and so will still be entitled to retire from age 50. However, a very small group of members who left the ICI Pension Fund and rejoined on or after 6 April 2006 may be subject to the new legislation.

Q: I have had a letter about ePA (electronic Pensions Administration). What can I use it for?

The ePA system was introduced to allow members to view their pension details online. It is not intended to replace any form of postal communication. The ePA system will allow you to check that your personal details are correct. It is also able to provide:

- pay and tax details for pensioner members;
- a summary of transfers in and the current value of pension benefits for deferred members; and
- pensionable pay history for contributing members, who can also request a retirement benefit estimate online using ePA.

Members are not currently able to amend details within the system. However, the Trustee may consider adding other functions to the system if it proves popular with the membership.

Independent Financial Advisers (IFA)

The Trustee Board is, by law, unable to offer financial advice. If you would like financial guidance you can obtain information about an IFA at: www.unbiased.co.uk

The year in review – what’s new?

The Trustee Board

Two members of the Trustee Board have left during the year. We would like to thank John Hunter and Tim Hampton for their contribution during their time as Trustee Directors of the Fund. We are pleased to welcome back David Loose, who previously served as a Trustee Director from 2001 to 2007 and joined us again in March 2009. Derek Welch of AkzoNobel also joined us in July 2009.

Pension Secretariat Services Limited – a new Trustee-owned company

On 1 July 2008, Pensions Secretariat Services Limited was created to provide Secretariat services to the Fund. This means that support to the Trustee Board on investment and policy issues now comes from this company, rather than from ICI or AkzoNobel. Since transfer to Trustee control, the Secretariat now employs six people, including three investment specialists.

ePA – online access to your pension details

You now have online access to your personal pension information. ePA (electronic Pensions Administration) is the new way to access your pension information. You can log in to ePA from the homepage of the Trustee website at www.icipensionfund.org.uk. You will need to have your User ID and password in order to access ePA.

Not received your log-in details?

If you have not yet received your log-in details, please contact the Pensions Helpline on **01707 607500**.

Whilst we continue to offer helpline facilities, ePA gives you access to the same up-to-date information the helpline can offer you. Along with the Trustee website, you have access to everything you need to know about your pension.

Membership Secretary

All correspondence with individual members is handled by the Membership Secretary Team.

Mrs Lorraine Davey of Watson Wyatt (Administrators) has continued as Membership Secretary during the year, supported by two Assistant Membership Secretaries, Tresha Kappler and Steve Codling.

Contributing members

If you have a query about your benefits, please refer to your Handbook or contact your local HR Department. You can also ask questions by emailing the Membership Secretary at: membership.secretarial@watsonwyatt.com

Pension Protection Fund

– compensation formula since April 2009

The Pension Protection Fund (PPF) was set up to provide a degree of financial protection and security for eligible final salary pension scheme members, by providing compensation should their pension fund be wound up due to company insolvency.

The ICI Fund is currently able to meet liabilities and there are no plans to wind it up, but it is useful for you to know what specified minimum benefits the PPF provides. Members are often unaware of what they are, or are not, entitled to in certain circumstances. The diagram on the right shows what benefits are payable by the PPF.

PPF initial compensation level

Are you over your normal Fund retirement age?
Do you have an ill-health pension?
Do you have a widow's/dependant's pension?

Yes

PPF compensation = 100% of ICIPF pension

No

Is your pension entitlement at age 62 currently over £29,995 pa (before commutation)?

No

PPF compensation = 90% of ICIPF pension (before commutation)

Yes

PPF compensation capped at £26,995 pa (before commutation) at age 62 or lower if younger

Notes

- The PPF compensation cap is reviewed from time to time (eg in the light of inflation), but there is currently no guaranteed formula for increasing this.
- Subject to the cap, compensation for deferred pensions is increased in line with inflation up to a maximum of 5%. Increases on widows' and dependants' pensions depend on when the original member left service.

PPF annual increase compensation formula

Did you leave service before 5 April 1997?

Yes

No increases on PPF compensation

No

PPF increases on service after 5 April 1997, but only for inflation up to 2.5%

- We have done our best to make this chart a fair summary of the PPF compensation rules, but the Trustee cannot accept any responsibility for any discrepancy between this summary and the actual PPF rules, which may change. For full information on PPF compensation, see the PPF website at: www.pensionprotectionfund.org.uk

Have you got what it takes to be a Member-Nominated Director (MND)?

Your queries

If you have any queries about your benefits, you can visit the Trustee website and ePA at:

www.icipensionfund.org.uk

You will need to your User ID and password to hand so you can log in to ePA.

If your query is not answered by the Trustee website or logging in to ePA contact the Pensions Helpline at:

Tel: **01707 607500**

Address: **ICI Pensions Services, PO Box 545, Redhill, Surrey RH1 1YX**

The Pensions Helpline is open from 0900 – 1700, Monday to Friday. Please have your payroll number (on your payslip) with you when you call, as it will help us to trace your record quickly. Any change of address or change in bank details must be given in writing, due to the risk of fraud. The ICI Pensions Services team cannot alter these details without your signature.

If becoming a MND appeals to you and you're interested in a new challenge, or if you've had previous experience of trusteeship and want to put this experience to good use, please write to the Membership Secretary to ask for a MND Information Pack and Nomination Form. Nominations for any vacancies arising in the coming year should be submitted by 15 January 2010. If you have submitted a nomination in the last two years there is no need to reapply. See pages 6 and 7 to find out more about other Trustee Directors' experiences.

A Member-Nominated Director (MND) can be any member of the Fund who is nominated by three or more members. You do not need to be a current ICI employee – indeed, nowadays, most Trustee Directors are pensioners or deferred members.

All nominations are considered in a two-stage process, with the final decision taken by the Trustee Selection Panel. The Panel consists of a cross-section of existing Trustee Directors who are also members of the Fund, plus Law Debenture as the Independent Trustee.

It is important that people who put themselves forward as potential MNDs understand what being a pension fund trustee actually involves. It's not about negotiating pension increases, since these are fixed by the Fund Rules. It is about understanding how to make members' existing benefits as secure as practicable, by managing investments prudently. It is also about negotiating realistic agreements with ICI and AkzoNobel to rectify the Fund deficit and ensuring that the Fund is run in a businesslike manner.

Of the 11 Directors on the Trustee Board, five are MNDs. They are Brian Bunt, John Fitzpatrick, Alf Friston, Fred Gray and Kevin January. Kevin was reappointed this year for a further five-year term.

In the last couple of years, the Trustee Board has put particular emphasis on maintaining continuity in the face of the huge changes that ICI and the Fund have faced. Over time, though, all organisations work best with a mixture of experience. So, if you haven't previously been a Trustee Director but have other experience (eg financial, legal, employee representation) which could be relevant and are willing to spend time training, please feel free to apply. A great way of getting a feel for what is involved nowadays in being a pension fund trustee is to look at the online training developed by the Pensions Regulator at: www.trusteetoolkit.com

Nominations are valid for a period of three years – so, even if there is no vacancy at present, it is still worth putting yourself forward so that you can be considered for new vacancies as and when they arise.



Trustee Board and Secretariat

Trustee Annual Conference – from left to right: *John Bloxsome (Law Debenture), Mike Smith (Secretariat), Helen James (Law Debenture), Wynne Turner, David Loose, Alf Friston, Fred Gray, Derek Welch, Ian Canham, Charles Amos (Secretariat), Kevin January, John Fitzpatrick, David Gee, Samantha Anthony (Secretariat), Brian Bunt.*

Trustee Board as at 16 July 2009

David Gee Chairman, Pensioner]
 Brian Bunt Pensioner *
 Ian Canham Deferred Member ++
 John Fitzpatrick Pensioner ++
 Alf Friston Contributing Member *]
 Fred Gray Pensioner ++*
 Kevin January Contributing Member †
 David Loose Pensioner †
 Wynne Turner Pensioner *+]
 Derek Welch AkzoNobel *
 The Law Debenture Trust Corporation p.l.c. *+]
 Secretary Pensions Secretariat Services Limited

The Board uses four committees to help in the running of the Fund:

- ‡ Appeals Committee
- * Investment Committee
- † Policy & Administration Committee
-] Strategic Risk Committee

Membership Secretary

Lorraine Davey: Membership Secretary,
 Watson Wyatt Limited

Principal Advisers as at July 2009

Scheme Actuary:

Robert Hails, Watson Wyatt Limited

Auditor:

KPMG LLP

Corporate Finance Advisers:

Ernst & Young LLP
 Penfida Partners LLP

Investment Adviser:

Watson Wyatt Investment Consulting

Investment Managers as at 31 March 2009:

Alinda Capital Partners LLC
 Ashmore Management Company Limited
 Barclays Global Investors Limited
 Intermediate Capital Managers Limited
 M&G Investment Management Limited
 Muzinich & Co Limited
 PIMCO Europe Limited
 Southeastern Asset Management, Inc.

Custodian:

JP Morgan Europe Limited

Solicitors:

Allen & Overy LLP
 Hammonds LLP

Bankers:

Barclays Bank PLC