

# Pensions News

News and updates for active members of the ICI Pension Fund • 2014



PENSION  
FUND



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# Chairman's message (on the year to 31 March 2014)

Welcome to this year's Pensions News, our review of what's been happening over the last year, both in the Fund and in the wider pensions world.



**The Trustee's primary duty is to ensure that it can pay benefits due to members, so we have to minimise risks to the Fund. That continued to be an important focus for us during the year.**

One of the biggest risks we face comes from the increase in life expectancy. When the Fund's Actuary works out our funding position, he has to estimate the benefits to be paid now and also in the future. To do this he has to make assumptions about how long members are expected to live, as that affects how long benefits are paid for. Although he uses prudent assumptions based on current trends and thinking, there is always a risk that the increase in life expectancy may be underestimated.

Accordingly, in March we took the important step of buying two bulk annuity policies, one from Legal & General and one from Prudential. We invested a total of £3.6 billion of the Fund's assets, two of the biggest transactions of this kind that the pensions market has seen.

These policies work in a similar way to an insurance policy. We paid the insurance companies a premium, and in return they pay us a monthly amount to cover the pension payments for a group of our pensioners. This means that the insurance companies now take on some of the risks previously borne by the Fund. As a result, the Fund is much better protected from the risk of changes in life expectancy and so the security of your benefits is increased.

Meanwhile, despite difficult market conditions, I am pleased to report that the Fund's investments performed relatively well.

We are currently working on the Actuarial Valuation, which will show the funding position at 31 March 2014 and we will share these results with you when they are ready.

Finally, I would like to express my thanks to my fellow Trustee Directors, to our Secretariat and to our wide team of expert advisers for their continued hard work, and all that they have achieved on your behalf this year.

A handwritten signature in dark ink, appearing to read 'David Gee'.

**David Gee**

Chairman of the ICIPF Board of Trustees

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## Keeping your data safe

**We have to hold certain personal information about you - for example your date of birth, National Insurance number and address - in order to administer your benefits.**

We need to make that data available to others who work with us to manage the Fund. However, we and our advisers and suppliers, for example the administration team, know how important it is to protect your information and keep your details secure. So we all operate a number of security protocols to make sure your information is safe.

There are a number of ways you too can protect yourself from the risk of fraud. When you're providing any personal information, always ask yourself who is collecting the information and why they need it - just as you would if you were talking to someone face to face. Be particularly careful when asked to give information such as your National Insurance number or address.

Online, there are other things to be wary of; phishing (scams that try to get you to provide personal information for fraudulent purposes) is of particular concern, especially as some emails and websites can appear to be legitimate. If in doubt, never open an email or an attachment from an address you do not recognise, and ensure you do not disclose any personal information online unless you know who you are dealing with, and that their site is secure.

You may find the following website helpful: [www.fca.org.uk](http://www.fca.org.uk)

## Our funding position

We are currently working on the Actuarial Valuation, which will show the funding position at 31 March 2014. To remind you, the interim review of the Fund's financial position showed the funding level (on an ongoing basis) to be 92% at 31 March 2013.



To find out more about the Fund's financial health, the website is a good place to start. You can go to [www.icipensionfund.org.uk](http://www.icipensionfund.org.uk) and take a look. The Library and forms section is where you'll find the latest Report and Accounts, and the annual reports from the Actuary. Future Summary Funding Statements will also be available online. See page 10 for more details.

# Highlights from the Report and Accounts

## Financial summary For the year from 1 April 2013 to 31 March 2014

**Value of Fund assets as at 31 March 2013: £9,074 million**

+		-			
Money coming in:	£m	Money going out:	£m	Change in the Fund's assets:	£m
Contributions	188	Pensions	-492	Balance of income and expenditure	-227
Investment income	98	Cash lump sums in exchange for pensions	-17	Change in market value of investments	-245
		Transfers to other funds	-4		
<b>Total income</b>	<b>£286m</b>	<b>Total outgoings</b>	<b>-£513m</b>	<b>Total change in the Fund</b>	<b>-£472m</b>

**Value of Fund assets as at 31 March 2014: £8,602 million**

The Fund's Financial Statements for the year 1 April 2013 to 31 March 2014 were given an unqualified audit opinion - a clean bill of health - by our auditors, KPMG LLP. If you want more detailed financial information about the Fund, you can download the full Report of the Trustee and Financial Statements from our website at [www.icipensionfund.org.uk/library-and-forms](http://www.icipensionfund.org.uk/library-and-forms).



# Investment focus during 2013/2014

## The Fund's investments

During the year, the Trustee continued its strategy of reducing investment risk - maintaining a high proportion (82%) of assets in investments such as government bonds which closely match our pension liabilities. As illustrated in the table below, the rest of the Fund's assets were invested in a range of asset classes which, although higher risk, should help to increase the return on the investments over the longer term.

### Purchase of bulk annuity policies - reducing the risk and increasing the security of your benefits

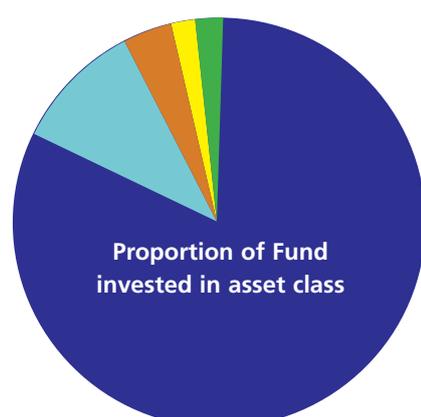
As explained in the Chairman's message, the purchase of two bulk annuity policies in March 2014 was another important step in our risk reduction plans. You may remember that we wrote to you at the time to tell you about this. The two policies, one with Legal and General and the other with Prudential, were valued at £3.6 billion in total, covering a substantial proportion of total member benefits.

Your benefits from the Fund have not changed because of the purchase of these policies. All pensioners will continue to receive their pensions from the Fund each month, as normal.

The way in which our investments are split between different asset classes is shown below.

Our substantial investments in bonds are included in the category 'Liability linked investments'.

Asset class	
■ Liability linked investments	82%
■ Developed market equities	10%
■ Emerging market bonds and currencies	4%
■ Leveraged loans	2%
■ Other	2%



### A look at how the market performed

Although the global economy continued to recover, with the US continuing to improve, and the UK, Eurozone and Japan seeing intermittent improvement, market conditions still remained difficult, particularly in emerging markets. Bonds generally fell in value over the year, and equities generally outperformed bonds, with UK, US and Europe (excluding UK) equities doing particularly well.

In the UK, interest rates remained at an all time low, and inflation seemed to be more under control. In fact, towards the end of 2013, the Consumer Prices Index (CPI), the measure the Government uses to measure inflation, fell to 2.0%. This was the first time in four years that inflation had met the Bank of England's target.

Although investments did not perform positively overall this year, the Fund outperformed the liability benchmark by 4.2%.

# Membership profile

## Fund membership over the last 10 years

 Pensioners
  Deferred members
  Active members

Year		Total
2014	47,586  9,816  417 	57,819
2013	48,934  10,375  448 	59,757
2012	50,460  10,988  464 	61,912
2011	51,937  11,627  479 	64,043
2010	53,200  12,095  416 	65,711
2009	54,191  12,642  579 	67,412
2008	55,554  13,179  683 	69,416
2007	57,030  14,016  794 	71,840
2006	58,405  14,438  1,107 	73,950
2005	59,737  15,033  1,228 	75,998
2004	61,185  15,184  2,159 	78,528

# Your options at retirement

**Many of the questions you ask us are about your options at retirement.**

**So we thought you might find it helpful if we summarised them here.**

**Remember that you can always find out more about your options by going to our website [www.icipensionfund.org.uk](http://www.icipensionfund.org.uk).**

## When you can retire

The Fund is made up of a number of sections. The normal retirement date for those in the ICI Pension Fund (1967 Rules) is generally 62. Some of the other sections have different normal retirement dates. You can find your normal retirement date in your member handbook (or on your latest pension statement). Most members are in the ICI section (1967 rules), and can retire early from age 50. Some of the other sections have different rules about how early members can retire. For example, the earliest that members of the Holden and Britag sections can retire is 55.

If you would like to retire before your normal retirement age, please note that your annual pension may be reduced, as it is expected that you will receive it for longer. Please get in touch with the administration team if you would like a quote showing how much your annual pension would be if you took your benefits early. You can find their details on the back cover.

If you don't retire early, the administration team will contact you up to six months before your normal retirement age to explain your

options. Broadly speaking, you can take all your benefits as a pension, or take some of your benefits as a cash sum (currently tax-free) and the rest as a pension. If you're not ready to take your pension by your normal retirement age, you don't have to. Instead, you can leave your benefits in the Fund until you're ready to take them. You just need to let the administration team know your decision.

## Death benefits

Once you've started to take your pension, your spouse or civil partner will usually be entitled to a pension if you die before them. Depending on your circumstances, children's pensions may also be payable.

If you die while an active member of the Fund, your spouse or civil partner will usually be entitled to a pension, and pensions may be available for your children. If you're not married or in a civil partnership when you die, but have a partner or someone who is dependent on you financially, they may be able to receive a pension, but this is subject to the Trustee's discretion. Also, a lump sum death benefit of four times your pensionable pay may be payable.

## What to think about between now and retirement

### Review your retirement plans regularly

Every year we send you a statement of your expected benefits to help you plan for retirement, but if you're a member of other pension schemes, you may not receive an annual statement from them. It's important to think about all your pension arrangements and the income they might give you at retirement. Will it be enough to meet your needs? If not, think about what you can do now to improve your retirement income. Although you can't increase your benefits from the Fund, you could take out another pension plan (without affecting your membership of the Fund) to give you more money in later life.

### Remember other savings or assets you might have

When planning your retirement, don't forget to take into account any other savings or assets you might have. Also, remember that you'll receive a State Pension – the full, single-tier State Pension that comes into effect in 2016 is likely to be around £144 a week, at today's prices.

### What happens if you stop being in pensionable service with the Fund (an active member) before you're ready to take your benefits

You could become a deferred member, keeping your benefits in the Fund until you're ready to take them. Alternatively, you could move your benefits to another pension arrangement. If you're considering this, we strongly recommend that you take advice from a professional financial adviser, authorised by the Financial Conduct Authority (FCA) and independent from the Fund. The benefits you have in the Fund are valuable and their security can be difficult to replicate in another pension arrangement.

Don't forget that if you die as a deferred member, your spouse or civil partner may receive a pension, and children's pensions may also be payable.

# News from AkzoNobel

From the member survey and the roadshows, we know that you're interested in hearing news about AkzoNobel, especially since AkzoNobel guarantees all ICI's obligations to make payments to the Fund that arise under the law and under the Trust Deed and Rules. So here are some highlights from AkzoNobel's world in 2013.

## Facts and figures

Revenue for the last year was:

**€14.6 billion**  
or approx **£12 billion**

Revenue by business area:

**38%** Performance coatings

**34%** Specialty chemicals

**28%** Decorative paint



Employees: **49,560**

## Continuing to make progress

In last year's Pensions News, we told you that improving financial performance was an immediate priority for AkzoNobel and that the company was putting in place a new strategy to increase return on capital, cash generation and margins.

So 2013 was a year of establishing this strategy, which focuses on end-user segments, operational excellence and sustainability, to support the company's new vision of 'Leading market positions delivering leading performance.'

During 2013, the company made some progress with the new strategy, including improving the underlying return on sales and return on investments, and significantly reducing net debt (largely due to the disposal of the North American Decorative Paints business). The Performance Improvement Program was finalised a year ahead of schedule, and all of this was done in spite of difficult market conditions and unfavourable foreign exchange rates.

## Sustainability

AkzoNobel is number one on the Dow Jones Sustainability Index, and is building on this position. It has set a number of ambitious improvement targets for the future including:

- In 2020, AkzoNobel's eco-premium products are expected to account for 20% of revenue, up from 18% in 2013
- By 2020 carbon emissions are expected to be reduced by 25 to 30% per ton of product (from the 2012 levels).



## Other news

### Ashington plant to open

As noted in last year's Pensions News, AkzoNobel is building a £100 million manufacturing plant in Ashington, in the North East of England. The site will become the heart of the company's Decorative Paints operations in the UK, and its environmental impact will be only half that of current operations.

The site measures 100,000 square metres and will have nine fully-automated paint filling lines. Once open, it will allow AkzoNobel to treble its manufacturing capability in the UK.

### Among the UK's Top Employers two years in a row

AkzoNobel's Decorative Paints business has been named a UK Top Employer for 2014 and so has now been listed for two years in a row. To be on the list, compiled by the Top Employers Institute and validated by auditors, a company must excel at putting their employees at the heart of what they do. Being on the list will help AkzoNobel recruit the high-quality employees they need to continue to perform at the highest level.

## Changes to UK pensions

2014 has been another year of change in the pensions world. One set of changes is to State Pensions. This set will only affect you if you have not reached State Pension age by April 2016. The other changes are targeted at people with benefits in a defined contribution (DC) scheme, like ICI's Benefit Builder, where contributions are invested to build a 'pension pot' for the member to use to provide an income at retirement.

### Changes to State Pensions

The Pensions Act 2014 means that the current two-tier State Pension system will be replaced with a single, fixed rate pension, payable to all. The change will take place in April 2016, and will only apply to people who start to receive the State Pension from that date. The amount of pension is set to be higher than the current basic State Pension.

Those who are already receiving the State Pension at April 2016 will not see a change.

People who reach State Pension age before 6 April 2016 can now pay voluntary National Insurance contributions (Class 3A) if they wish to top up their State Pension to the level of the new State Pension, which is likely to be around £144 a week at today's prices.

Plans were already in place to increase the State Pension age from 66 to 67 in future.

These changes will now take place between 2026 and 2028, earlier than previously planned. To check your State Pension age go to: [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

### Changes to the way pension savings can be used

There are two main changes to the way pension savings can be used.

The first change will only affect you if you have benefits in a defined contribution scheme (as explained above). In brief, from April 2015, members of DC schemes can choose to take all their fund as cash at retirement, rather than having to use it to buy an income from a provider such as an insurance company. 25% of their savings can be taken tax-free. The rest will be taxed at their marginal tax rate. For those retiring from a DC scheme before 2015, the Government has increased the proportion of savings a DC member can take as a lump sum rather than having to buy an income.

The second change may affect you if the value of all your benefits at retirement is less than £30,000. In these circumstances you will soon have the option of taking all your pension as a cash sum, which will then be taxed through the income tax system.

# Summary Funding Statement going online



**One of the documents that we are required to produce is the annual Summary Funding Statement (SFS). This document sets out the ability of the Fund to pay the benefits due at a particular point in time.**

The SFS uses information provided by the Actuary, and has to be issued each year, unless the Fund is currently undergoing its three-year formal Actuarial Valuation. Among other things, the SFS has to provide an estimate of the financial position that the Fund would be in, in the somewhat hypothetical case that ICI and AkzoNobel were not to support it. The information in the SFS is important, but the way it is presented, including the language used, is set by the regulations and is not always very easy to understand.

We have always made the SFS available on the website, and for the last few years we have given members the opportunity, via the website, of choosing not to receive the SFS by post. However, regulations now allow the Fund to assume that a member will access the SFS online, unless the member tells the Fund that they want to continue to receive it by post.

Given the nature of the SFS, we are taking up the option to send a hard copy of the statement only to those who request it. The Trustee will prepare the SFS once the current formal Actuarial Valuation is finalised, which is expected to be in 2015. It will then be made available on the website, in the Library and forms section. The SFS will only be sent by post to members who have contacted us to tell us that they still

want to receive it that way. If you still want to receive the SFS by post, please write to the Trustee at the address shown on the back of this copy of Pensions News.

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**We will share the vital information about the Fund's ability to meet its obligations in the relevant Pensions News, but in a way that is easier for everyone to understand!**

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# Want to become a Trustee of the Fund?

**The success of the Fund depends on having an efficient and effective Trustee Board, so the role of a Trustee is very important.**

The Board is made up of 11 Directors, five of whom are nominated by the members of the Fund - our Member-Nominated Directors (MNDs). Two of our MNDs will reach the end of their term of office next year. Although they may apply for selection for a further term, it is our policy to run a full selection process in these circumstances and the programme will be getting under way shortly.

If you enjoy a challenge, and like working as part of a team, you may find being a Member-Nominated Director interesting, as it gives you an opportunity to contribute to the running of one of the biggest pension schemes in the UK. Usually, you need to be able to devote 30 or more days a year to attend and prepare for Board meetings, committee meetings and training. All Trustee Directors are given training and support, and are expected to complete the Pensions Regulator's Trustee Toolkit in their first six months as a Trustee Director. The Company will allow you time off to fulfil your Trustee duties.

**To find out more, you can get in touch with ICI Pensions Services at the address on the back cover. They will send you an information pack on the process for nomination and selection of Member-Nominated Directors and this will tell you how to apply.**

## Our current Trustee Board members



**A Kevin January**  
Member-Nominated Director,  
ICI Paints

**B Sue McMahon**  
Member-Nominated Director,  
Deferred Member

**C Derek Welch**

**D Ian Canham**  
Deferred Member

**E John Fitzpatrick**  
Member-Nominated Director,  
Pensioner

**F Wynne Turner**  
Pensioner

**G Michael Chatterton**  
Representing The Law Debenture  
Pension Trust plc

**H Moira Rugg**  
Member-Nominated Director,  
Pensioner

**I David Loose**  
Pensioner

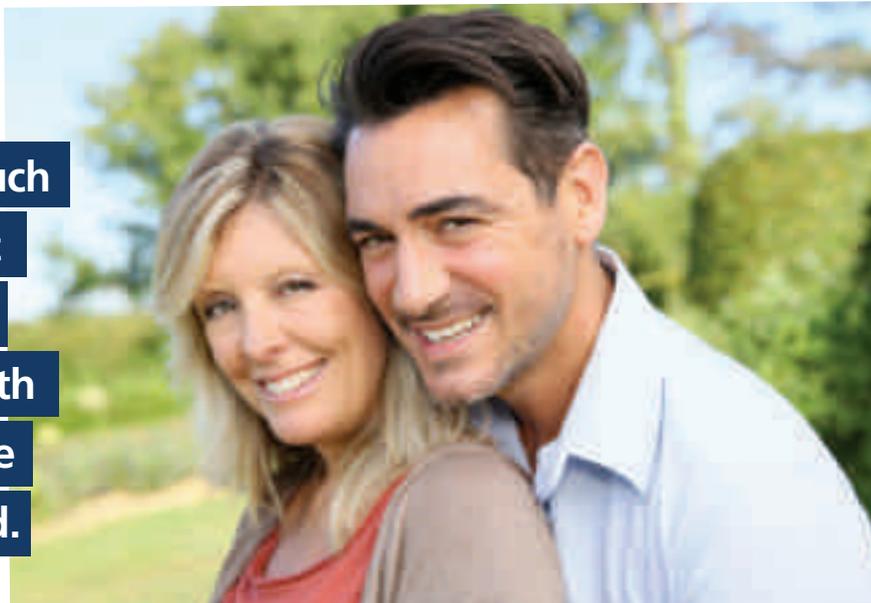
**J David Gee**  
(Chairman) Pensioner

**K Fred Gray**  
Member-Nominated Director,  
Pensioner

Find out more at [www.icipensionfund.org.uk/trustee](http://www.icipensionfund.org.uk/trustee)

## Keeping in touch

**Pensions News is the main way in which we keep in touch with you about what has been happening over the last year, both in the Fund and in the wider pensions world.**



Our aim is to give you not only the information we are required to provide, but also information you may find helpful as you think about your pension benefits and what happens at retirement. We hope you find it useful.

It's really important that we know about changes in your personal circumstances - for example in your marital status or when you move house. So, if you think our records may need updating, please contact the administration team.

You can also contact the administration team if you have a question about your benefits or about the Fund itself. But remember, you may find the answer on the website. It's always worth a look!

 **Email** [ici@towerswatson.com](mailto:ici@towerswatson.com)

 **Phone** 0800 916 8021  
From 09:00 - 17:00 Monday to Friday (Not bank holidays).

 **Write to** ICIPF, PO Box 545,  
Redhill, Surrey, RH1 1YX

 **Online**  
[www.icipensionfund.org.uk](http://www.icipensionfund.org.uk)

Every effort has been made to ensure that the information in this newsletter is accurate. If there is any difference between this information and the Trust Deed and Rules, then the Trust Deed and Rules take priority.