

ICI Pension Fund

Actuarial report as at
31 March 2019

29 July 2019



Summary

The main results of this actuarial report and those from the latest actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2019 is estimated to have increased to 100%



- The funding position is estimated to have improved by £608 million to a surplus of £4 million



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Throughout this report the following terms are used:

Fund

ICI Pension Fund

Trustee

ICI Pensions Trustee Limited

Company

Imperial Chemical Industries Limited

Trust Deed & Rules

The Fund's Definitive Deed and Rules dated 6 April 2006 (as subsequently amended)

Introduction

Scope

This is the actuarial report in respect of the ICI Pension Fund as at 31 March 2019 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial report is required under Part 3 of the Pensions Act 2004 in years when a full actuarial valuation is not conducted; a copy of this report must be provided to the Company within seven days of its receipt.

The main purpose of the actuarial report is to provide an approximate update of the development in the financial position of the Fund relative to its statutory funding objective since the latest actuarial valuation. It should be considered in conjunction with the report on the actuarial valuation as at 31 March 2017.

This report and the work involved in preparing it are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards TAS100 and TAS300.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Fund and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out as at 31 March 2020.



Graham McLean
Fellow of the Institute and Faculty of Actuaries
29 July 2019

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Limitations

Third parties

This report has been prepared for the Trustee 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 Willis Towers Watson (Towers Watson Limited) accepts any responsibility for any consequences arising from a third party relying on this report.

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Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial report, 31 March 2019, and takes no account of developments after that date except where explicitly stated otherwise.

Methodology

I have carried out full liability valuation calculations to estimate the updated financial position of the Fund as at 31 March 2019. These calculations are based on the benefits set out in the Trust Deed & Rules, using an approach consistent with that adopted for the actuarial valuation as at 31 March 2017.

Funding

Statutory funding objective

The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Fund's technical provisions.

The method and assumptions for calculating the technical provisions as at 31 March 2017 were agreed between the Trustee and Company and documented in the Statement of Funding Principles dated 12 February 2019. The table below summarises the main financial assumptions used to estimate the Fund's technical provisions for this actuarial report and the latest actuarial valuation.

Financial assumptions	31 March 2019 % pa	31 March 2017 % pa
Discount rate ⁽¹⁾	Nominal gilt curve	Nominal gilt curve
RPI inflation ⁽²⁾	RPI inflation curve	RPI inflation curve
CPI inflation	RPI curve less 1% pa	RPI curve less 1% pa
Pensionable earnings increases ⁽³⁾	RPI curve plus 1% pa, plus an age related promotional scale	RPI curve plus 1% pa, plus an age related promotional scale
Deferred pension revaluation		
- Statutory deferred pension revaluation	RPI curve less 1% pa	RPI curve less 1% pa
Pension increases		
- RPI minimum 0% pa, maximum 5% pa ⁽⁴⁾	LPI (0,5) curve	LPI (0,5) curve
- CPI minimum 0% pa, maximum 3% pa	CPI less 0.15% pa	CPI less 0.15% pa
- RPI minimum 3% pa, maximum 5% pa	RPI inflation curve plus 0.4% pa	RPI inflation curve plus 0.4% pa

⁽¹⁾ The estimated single equivalent rate for the non-insured liabilities is 1.50% at 31 March 2019 and 1.58% at 31 March 2017.

⁽²⁾ Based on gilts. The estimated single equivalent rates are 3.35% pa at 31 March 2019 and 3.4% pa at 31 March 2017.

⁽³⁾ With allowance for the estimated impact of the Company's stated intention to cap increases and subject to a deferred pension revaluation underpin.

⁽⁴⁾ Reflecting swap market pricing plus a margin of 0.06%. The estimated single equivalent rates are 3.56% pa at 31 March 2019 and 3.56% pa at 31 March 2017.

I regard the financial assumptions adopted for this actuarial report as consistent with those used for determining the Fund's technical provisions at 31 March 2017, adjusted for changes in market conditions, and in my view they are appropriate for the purpose of this actuarial report.

The demographic assumptions used for the purposes of this update are consistent with those adopted for the actuarial valuation as at 31 March 2017, as set out in the Fund's Statement of Funding Principles dated 12 February 2019.

It should be noted that I have set the assumptions as at 31 March 2019 without input from the Trustee or the Company, which is consistent with the relevant statutory requirements. If the Trustee and Company were to consider all of the assumptions in detail as part of a formal valuation process it is likely that some of these assumptions would change.

There is no allowance in the assumptions underlying the technical provisions for any future discretionary increases to benefits.

The table on the next page compares the estimated technical provisions as at the effective date of the actuarial report with the market value of the Fund's assets and the corresponding figures from the latest actuarial valuation.

Valuation statement	31 March 2019	31 March 2017
	£m	£m
Amount required to provide for the Fund's liabilities in respect of:		
Employed members	177	306
Deferred pensioners	1,625	1,910
Pensioners and dependants	8,404	8,683
Collateral reserve ⁽¹⁾	38	41
GMP equalisation reserve	100	100
AVCs and other money purchase benefits	2	2
Technical provisions	10,346	11,042
Market value of assets ⁽²⁾	10,350	10,438
Past service (deficit)/surplus (assets less technical provisions)	4	(604)
Funding level (assets ÷ technical provisions)	100%	95%

⁽¹⁾ The collateral reserve shown in the table above represents the reserve for the expenses associated with holding collateral as part of the buy-ins completed prior to the valuation date.

⁽²⁾ Includes £8,236 million at 31 March 2019 (£8,484 million as at 31 March 2017) 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).

Developments since the latest valuation

The funding level is estimated to have increased to 100% from 95% at the previous valuation. The main factor contributing to this change are the aggregate deficit contributions of £540 million paid since 31 March 2017. The balance of the improvement arose principally as a result of additional buy-ins transacted on terms more favourable than the technical provisions and through membership experience (mainly a consequence of members choosing to transfer their benefits out of the Fund).

Additional information

Data provided

Membership data

The Trustee's membership information as at 31 March 2019, 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 2017. The average ages provided are weighted by pensionable earnings for active members and by pension for other members.

Active members	31 March 2019			31 March 2017		
	Number	Pensionable earnings (£m pa)	Average Age	Number	Pensionable earnings (£m pa)	Average age
Holden	50	1.4	54	65	2.2	54
ICI	104	5.8	53	200	10.9	54
Total	154	7.2	54	265	13.1	54

Deferred members	31 March 2019			31 March 2017		
	Number	Pension (£m pa)	Average Age	Number	Pension (£m pa)	Average age
Britag	30	0.1	58	33	0.1	56
Camtex	43	<0.1	63	27	<0.1	60
Holden	98	0.5	56	113	0.6	56
ICI	6,454	32.8	55	7,754	39.8	54
SAI	172	0.7	58	211	0.8	57
Total	6,797	34.2	55	8,138	41.5	54

Pensioners	31 March 2019			31 March 2017		
	Number	Pension (£m pa)	Average Age	Number	Pension (£m pa)	Average age
Britag	176	1.2	82	195	1.3	81
Camtex	173	0.3	78	198	0.3	77
Holden	211	2.1	73	202	1.9	72
ICI	25,849	357.2	77	27,922	365.1	76
SAI	386	3.2	77	409	3.4	77
Total	26,795	364.1	77	28,926	372.0	76

Widow(er)s	31 March 2019			31 March 2017		
	Number	Pension (£m pa)	Average Age	Number	Pension (£m pa)	Average age
Britag	94	0.5	82	98	0.5	82
Camtex	50	0.1	81	65	0.1	81
Holden	58	0.5	81	61	0.5	80
ICI	12,584	99.9	82	13,478	96.6	81
SAI	175	1.3	83	182	1.3	81
Total	12,961	102.2	82	13,884	99.0	81

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Notes on data tables:

- In addition, there were 108 children or other dependants with pensions in payment as at 31 March 2019 (136 as at 31 March 2017).
- The data provided as at 31 March 2019 excluded 358 deaths prior to the valuation date where entitlement to dependants' benefits had not been established when extracting information from the administrator's database (271 as at 31 March 2017). For the purpose of this actuarial report, 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 £2.2 million as at 31 March 2019, with an underlying average age for these dependants of 86.
- Deferred pension amounts include revaluation to the relevant valuation date.

Asset information

The asset value is taken from audited accounts supplied as at 31 March 2019 that showed that the market value of the Fund's assets was £10,350 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £2 million and a value for the bulk annuity policies of £8,236 million which was calculated consistently with the technical provisions.

Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Fund's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Demographic assumptions: Assumptions relating to social statistics for Fund members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Fund and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Fund. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Fund, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Fund. See also statutory funding objective.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the Trustee to perform certain statutory duties for the Fund.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Fund's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory funding objective: To have sufficient and appropriate assets to cover the Fund's technical provisions.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Fund.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.