

## ICL GROUP PENSION PLAN (the Plan)

### MEMBER UPDATE – INCLUDING SUMMARY FUNDING STATEMENT AT 31<sup>st</sup> MARCH 2019

#### Summary Funding Statement for the defined benefit section of the Plan – year ended at 31<sup>st</sup> March 2019

As you know from previous years, we send you a Summary Funding Statement to keep you up to date on the development of the ICL Group Pension Plan's (the Plan) finances. The statement provides you with an update of the funding position as at 31<sup>st</sup> March 2019, the date of the most recent formal actuarial valuation by the Plan Actuary.

This statement is for information purposes only. It does not require you to take any action.

#### Summary of funding position since previous Summary Funding Statement

The table below summarises the development in the funding position on an ongoing basis (excluding members' Additional Voluntary Contributions ("AVCs" or "ASCs") and the Defined Contribution ("DC") section).

Date	Assets	Liabilities	Deficit	Funding Level
31 <sup>st</sup> March 2018*	£4,624m	£5,314m	£690m	87%
31 <sup>st</sup> March 2019	£4,652m	£5,334m	£682m	87%

\*A formal actuarial valuation was carried out as at 31<sup>st</sup> March 2018. At 31<sup>st</sup> March 2019 the funding position was estimated in the annual update that is carried out in years between formal valuations.

We have provided a brief explanation of the reasons for the change in funding level below.

#### Change in the funding position from 31<sup>st</sup> March 2018 to 31<sup>st</sup> March 2019

The main reason for the improvement in the funding level over the year to 31<sup>st</sup> March 2019 was because of favourable return seeking asset performance and the deficiency contributions paid by the Company which has been partly offset by the impact of reducing interest rates and increasing inflation expectations.

#### Funding agreement following the 31<sup>st</sup> March 2018 valuation

The Company made deficit contributions of £26.73m in the year to 31<sup>st</sup> March 2019 (under the terms of the 31<sup>st</sup> March 2018 valuation as set out below).

In respect of the remaining shortfall at 31<sup>st</sup> March 2018, the Company and Trustee have agreed the Company will pay the following contributions to the Plan:

Year ending 31 <sup>st</sup> March 2019	£26.73m	Year ending 31 <sup>st</sup> March 2026	£44.66m
Year ending 31 <sup>st</sup> March 2020	£30.00m	Year ending 31 <sup>st</sup> March 2027	£46.18m
Year ending 31 <sup>st</sup> March 2021	£31.02m	Year ending 31 <sup>st</sup> March 2028	£47.75m
Year ending 31 <sup>st</sup> March 2022	£32.07m	Year ending 31 <sup>st</sup> March 2029	£49.37m
Year ending 31 <sup>st</sup> March 2023	£40.40m	Year ending 31 <sup>st</sup> March 2030	£51.05m
Year ending 31 <sup>st</sup> March 2024	£41.77m	Year ending 31 <sup>st</sup> March 2031	£52.79m
Year ending 31 <sup>st</sup> March 2025	£43.19m	Year ending 31 <sup>st</sup> March 2032	£54.58m

The balance of the funding shortfall is expected to be met by investment returns on the Plan's assets and, under the assumptions made within the valuation, it is anticipated that the shortfall will be removed by 28<sup>th</sup> February 2028.

The Company also meets the costs of Pension Protection Fund (PPF - see below) and other levies in full.

## The Plan's financial health were it to be wound up

If the Plan had discontinued as at 31<sup>st</sup> March 2018 and benefits had been secured with an insurance company, the Plan Actuary has estimated that the additional amount needed to ensure that all members' benefits could have been paid in full was £1.8bn. This figure is an estimate and does not represent the actual amount that would need to be paid to any specific insurer to secure the benefits. This information is shown for illustrative purposes only.

## How the Plan operates

### How is my pension paid for?

The Company pays contributions to the Plan so that the Plan can pay pensions to members when they retire. The money held to pay defined benefit members' pensions is held in a common fund for the benefit of all members. It is not held in separate funds for each individual.

### How is the amount the Plan needs worked out?

The Trustee obtains regular valuations of the benefits earned by members. Using this information, the Trustee comes to an agreement with the Company on future contributions.

## Pension Protection Fund

The Government has established the Pension Protection Fund (PPF) to pay compensation to members of defined benefit pension schemes when the employer becomes insolvent and when there are not enough assets in the pension scheme.

In this situation the PPF may take over the pension scheme's assets and provide benefits to the scheme's members. However, the benefits provided by the PPF would in almost all cases be lower than the pensions that members would have received from the scheme.

## The importance of the Company's support

The Trustee's objective is to have enough money in the Plan to pay pensions now and in the future. This objective relies on the Company's continuing support because:

- The Company has agreed to meet the annual premiums payable to the PPF;
- The funding level can fluctuate and, when there is a funding shortfall, the Company will usually need to pay higher pension contributions; and
- The target funding level may turn out not to be enough so the Company will need to put in more money.

## What would happen if the Plan were to be wound up?

If the Plan winds up, it is possible that you might not get the full amount of pension you have built up, even if the Plan is fully funded under its funding plan. However, whilst the Plan remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

If the Plan were to start to wind up, the Company would be required to pay enough into the Plan to enable the members' benefits to be completely secured with an insurance company. It might be, however, that the Company would not be able to pay this full amount, in which case the PPF might take over the Plan and pay benefits to members.

Further information and guidance is available on the Pension Protection Fund's website at <https://www.ppf.co.uk/> or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

### **Why does the funding plan not call for full solvency at all times?**

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, the Trustee's funding plan assumes that the Company will continue in business and support the Plan.

### **What is the Plan invested in?**

The Trustee invests the assets of the Defined Benefit section of the Plan in a Common Investment Fund (CIF) which also includes the assets of another Fujitsu pension scheme. Under such an arrangement the two pension schemes remain separate and independent entities, but each holds units in the CIF, which combines the assets of both schemes. The CIF employs specialist investment managers to invest in assets targeting a specified allocation.

The Plan's benchmark investment strategy is to invest 10% of the assets in equities, 3% in infrastructure equities, 5% in property, 43% in investment grade credit, 24% in liability driven investments and 15% in other fixed income assets. There is also a 10% exposure to credit default swaps which effectively turns some of the liability driven investments into investment grade credit. This strategy enables 87% of the sensitivity of the liabilities to changes in interest rates and inflation expectations to be 'hedged' so that the impact of changes (both positive and negative) in interest rates and inflation on the shortfall should be substantially reduced.

If you would like more information on the Plan's investments, a detailed description of the investment policy can be found in a separate document produced by the CIF Trustee entitled "Investment Policy Implementation Document".

### **Payment to the Company and involvement of the Pensions Regulator**

It is a legal requirement that this summary funding statement should inform members whether any payment has been made to the Company since the last summary funding statement. There has not been any payment to the Company out of the Plan's funds since the last statement.

It is also a legal requirement to inform members whether the Plan has been modified or if any directions or schedule of contributions have been imposed on the Plan by the Pensions Regulator. There has not been any such involvement from the Pensions Regulator with the Plan.

As previously communicated, both Fujitsu and the Trustee are committed to ensuring the Plan is in a healthy state and continue to be in regular dialogue on how best to achieve this. Fujitsu's primary objective is to grow and develop the business, which is important to our members as a stronger Fujitsu will be more able to sustain the Plan's funding needs over the long term. We are satisfied that the Company has the long term interests of the Plan and its members in mind and we will continue to work with the Company to explore opportunities to strengthen the Plan's financial position as and when these arise.

## Plan Trustee Board Effectiveness Review

The Plan Trustee always strive to follow best practice. The Pensions Regulator encourages them to follow good governance principles and a key element of this is ensuring that the Trustee Board members work well together.

Earlier this year we appointed an independent consultant, Amanda Cullen, to assess the behavioural effectiveness of the Board. Amanda is a former Head of Governance at a leading pension consultancy and now runs her own coaching business.

We therefore wanted to share with the Plan membership Amanda's feedback following her review, as follows:

*"I carried out the review of the effectiveness of the Plan Trustee Board between February and May 2019. The review comprised interviews with the Trustee Directors and all their key stakeholders (advisers, suppliers, sponsor), as well as observations of Board and Committee meetings.*

*It was heart-warming to note that every Trustee Director had the interest of the members firmly at the centre of everything they did.*

*Overall the review was extremely positive. There is general agreement by all parties that these are very well managed Boards.*

*Input from those who have exposure to other Trustee Boards further confirmed that these Boards rank very highly in comparison to others."*

## Brexit

Given the ongoing political uncertainty, including the UK's exit from the EU, the Trustee has asked it the Plan's Investment Executive ("IE") to prepare a note on behalf of the Trustee setting out its views on the 'readiness' of the Plan ahead of Brexit.

The IE has discussed potential market impacts under various Brexit scenarios with a number of investment managers and has given thought to whether the Plan should take any action ahead of Brexit. In summary, the IE's recommendation is that no action is taken at this stage, as on balance, the IE believes that there is no obvious mis-pricing in markets to suggest an obvious bias to a particular outcome.

In addition, the IE believes that the Plan is well positioned to cope with market uncertainty around the Brexit outcome. In particular:

- The equity and sub-investment grade credit allocations are low, and global in nature.
- There is very little currency exposure in the investment policy, and the currency (sterling) is generally considered to be the most vulnerable market to possible Brexit outcomes.
- The funding position is largely immune to changes in government bond yields due to the liability hedging mandate.
- The funding position is also largely immune to changes in corporate bond markets as changes in credit spreads have a broadly similar affect on the value of the assets and liabilities.

The IE has also asked the Plan's investment managers whether they have any concerns on how markets might operate pre and post Brexit, and have had a consistent response that managers are well prepared and do not foresee any operational issues. In particular, the Plan's liability hedging manager provided the Joint Investment Committee with a brief overview of the key areas of the UK financial system that are likely to be impacted by Brexit, with a particular focus on the Plan's liability hedging mandate, and they confirmed that they do not foresee significant issues with any of these key areas.

In summary, the IE believes that the Plan is well positioned to cope with market uncertainty around the Brexit outcome.

## Equitable Life Guaranteed Exchange Scheme

Some members of the Plan hold their additional voluntary contribution (AVC) savings in the Equitable Life With-profits Fund. In 2018, Equitable Life made a proposal to replace the Guarantees that apply to With-Profits policies and apply an enhancement to members' policy values. The With-Profits policy has a Guaranteed Value that would be payable on retirement (or death). The Guaranteed Value increases by a Guaranteed Investment Return of 3.5% per year.

As Equitable Life has been closed to new policies for some time, it has been gradually running down its business. Equitable Life wants to sell its business to another insurance provider before it gets too small to find a suitable buyer. To enable Equitable Life to do this, they first needed to remove the guarantees that applied to the policies described above. To make this fair for members, they have applied an uplift to policy values. An independent expert has reviewed the terms of the Proposal and full details of their report are available on Equitable Life's website: [www.equitable.co.uk](http://www.equitable.co.uk). Once the Proposal is accepted a Transfer of assets from Equitable Life to Utmost Life and Pensions ('Utmost') can take place. Again, an Independent Expert has reviewed the Transfer and full details of this report is also available on Equitable Life's website.

Equitable Life held a policyholders meeting at which they could vote, either in favour or against the Proposal. The Trustee of the Plan are the policyholder for your benefits, and voted in favour of the Proposal on behalf of the Plan's members. When deciding how to vote, the Trustee took advice from its pension advisers and carried out membership analysis to assess whether the proposal was in the best interests of the majority of the members with investments in this Fund.

The Proposal was approved by the policyholders and the High Court's final decision is expected early December. As a result, the Equitable With-Profits Fund is closing on 31<sup>st</sup> December 2019. Your Equitable Life savings under the Plan will be automatically transferred to a company called Utmost Life and Pensions ('Utmost') on 1<sup>st</sup> January 2020. More importantly, on transfer to Utmost, Equitable Life will remove the guarantees that applied to the With-Profits Fund and provide you with an uplifted policy value.

After the transfer to Utmost, your savings will be held in the 'Secure Cash Investment Fund' for a period of six months. This is a temporary fund which has a capital guarantee. In other words your investment in this fund cannot decrease (although it is unlikely to rise significantly in value either). This fund is only available for a relatively short period of time, and rather than transfer your investment into one of the alternative funds offered by Utmost, it is the Trustee's intention to transfer your investments into the main fund range under the Plan as the Trustee believes these funds offer better value and are more appropriate for the Plan's members.

The Trustee will be issuing an additional communication to impacted members in due course with more information on the next steps. You do not need to take any action at the current time as the transfer will happen automatically.

If you are thinking of taking your AVCs shortly after 1<sup>st</sup> January 2020, for example, if you are planning to retire, you should contact the Pensions Department (details at the bottom of this update) as soon as possible so as to avoid any unnecessary delay to your retirement benefits being put into payment.

**Please note that if you withdraw your AVC funds from Equitable Life prior to 1<sup>st</sup> January 2020, you will not be entitled to the uplift to your policy value as described in this communication.**

## Update to the Plan's Statement of Investment Principles

Since year end, the Joint Investment Committee (JIC) has considered its views around sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship. The aim of these considerations is to develop a set of investment beliefs which could be translated into a policy document.

Ahead of the regulations that came into force on 1<sup>st</sup> October 2019, the Statement of Investment Principles (SIP) for the Plan was updated to ensure compliance with the regulations. In parallel, the JIC has continued to further develop its investment beliefs on sustainable investment with their advisors, and once it is satisfied that a set of investment beliefs reflect its views, these will be discussed more widely with the Plan Trustee.

## Queries

If you have any queries, please contact the Pension Department using the contact details below.

Please help us to keep in touch with you by telling us if you change address.

Yours sincerely



David Sillitoe  
Chairman of the ICL Pension Trust Limited

Pension Department Tel: +44 (0)203 949 3492 Email: <a href="mailto:group.pensions@uk.fujitsu.com">group.pensions@uk.fujitsu.com</a>
---

26<sup>th</sup> November 2019

## Where can I get more information?

Additional information is available from the Plan's Member Self Service website (please remember you need to register if you haven't already): <https://fujitsu.pensiondetails.co.uk>

Additional information:

- Statement of Investment Principles – This explains how the Trustee invests the money paid into the Plan
- Investment Policy Implementation Document – This provides a detailed description of the Plan investment policy
- Schedule of Contributions – This shows how much money is being paid into the Plan
- Annual Report and Accounts – This shows the Plan's income and expenditure in the years up to 31<sup>st</sup> March 2019
- 2018 Actuarial Valuation Report
- Member Booklets

If you have any other questions, or would like any more information, please contact the Pensions Department at:

Fujitsu  
Lovelace Road  
Bracknell  
Berkshire  
RG12 8SN

Telephone: +44 (0) 203 949 3492

Email: [group.pensions@uk.fujitsu.com](mailto:group.pensions@uk.fujitsu.com)

*Important: If you are thinking of leaving the Plan for any reason, you may wish to consult an independent financial advisor, before taking any action.*