



**AVX LIMITED PENSION SCHEME  
ANNUAL REPORT  
FOR THE YEAR ENDED 5 APRIL 2015**  
Scheme Registration Number: 10023435

# **AVX Limited Pension Scheme**

## **Annual Report for the year ended 5 April 2015**

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## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Trustees, Principal Employer and Advisers**

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#### **Trustees**

##### **Employer-nominated Trustees**

R J Lawrence - Chairman

K P Cummings

M H McCann

##### **Member-nominated Trustees**

S H Cunday

P Fenwick

M Bagues

#### **Principal Employer**

AVX Limited

#### **Scheme Actuary**

Paul McCarron, F.I.A.

Mercer Limited

#### **Independent Auditors**

PricewaterhouseCoopers LLP

#### **Administrator and Consultants**

Mercer Limited

#### **Investment Manager**

State Street Global Advisors

#### **Investment Custodian**

State Street Bank and Trust Limited

#### **Additional Voluntary Contribution (AVC) Providers**

Prudential Assurance

Phoenix Life and Pensions Limited

Aviva

#### **Life Assurance Companies**

UnumProvident

Assicurazioni Generali S.p.A

#### **Bank**

National Westminster Bank plc

#### **Legal Adviser**

Pinsent Masons LLP

## **AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2015**

**Trustees, Principal Employer and Advisers**

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### **Contact for further information and complaints about the Scheme**

Helen McCann  
AVX Limited  
Hillman's Way  
Coleraine  
Co Derry  
BT52 2ED  
Email: [mccannh@col.avxeur.com](mailto:mccannh@col.avxeur.com)

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Trustees' Report**

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##### **Introduction**

The Trustees of AVX Limited Pension Scheme (the Scheme) are pleased to present their report together with the accounts for the year ended 5 April 2015. The Scheme is a defined benefit scheme. The Scheme was closed to new entrants with effect from 1 April 1997. With effect from 30 September 2013 the defined benefit section of the AVX Retirement Plan merged into AVX Limited Pension Scheme.

##### **Management of the Scheme**

###### **Trustees**

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustees.

The three Member-nominated Trustees (2014: three), as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme to serve for a period of five years. They may be removed before the end of their five year term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of one of the pension plans of the Principal Employer, AVX Limited.

In accordance with the trust deed, the Principal Employer, AVX Limited, has the power to appoint and remove the other Trustees of the Scheme.

The Trustees have met once during the year (2014: three times).

###### **Governance and risk management**

The Trustees have in place a business plan which sets out their objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

The Trustees have also focused on risk management. A risk register has been put in place which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustees.

###### **Trustee knowledge and understanding**

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustees have agreed a training plan to enable them to meet these requirements.

###### **Principal Employer**

The Scheme is provided for all eligible employees of the Principal Employer whose registered address is AVX Limited, Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

# **AVX Limited Pension Scheme**

## **Annual Report for the year ended 5 April 2015**

### **Trustees' Report**

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#### **Financial development**

The accounts on pages 14 to 21 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £88,514,051 at 5 April 2014 to £104,670,729 at 5 April 2015.

The increase shown above comprised net additions from dealings with members of £1,839,050 together with net returns on investments of £14,317,628.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Trustees' Report

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#### Actuarial position of the Scheme

The last full actuarial valuation of the Scheme was carried out with an effective date of 5 April 2012. A Summary Funding Statement has since been produced by the Trustees dated January 2014 in accordance with the Pensions Act 2004 requirements. The results of the latest actuarial valuation which took place prior to the merger showed that on 5 April 2012:

	£ millions
The Statutory Funding Objective (SFO) in relation to the liabilities:	82.0
Valuation of assets:	59.6
Shortfall relative to the SFO:	22.4
Funding level:	73%

The Trustees also prepared the funding position of the Schemes both individually and combined, as at 5 April 2013 in advance of the merger:

Effective date: 5 April 2013	The AVX Retirement Plan	AVX Limited Pension Scheme	Combined Scheme
	£ millions	£ millions	£ millions
Value of liabilities:	12.5	90.3	102.8
Value of assets:	11.9	70.0	81.9
Shortfall of assets compared to liabilities:	0.6	20.3	20.9
Funding level, i.e., asset value of a percentage of liability value:	95%	78%	80%

In order to eliminate the shortfall the Employer and Trustees agreed to pay contributions of £399k per month (ie £4.8m per annum) into the Scheme, with a target date of 31 May 2018 to reach a 100% funding level. The Actuary has also updated the combined funding position as at 31 October 2013 which shows an improvement in the funding position as set out below:

	£ millions
Liabilities:	94.6
Assets:	85.7
Deficit:	8.9
Funding level:	91%

The above figures indicate that the Scheme is well ahead of reaching its 100% funding position by 31 May 2018. Improvements in the funding position of the Scheme are as a result of:

- The additional contributions being paid by AVX Limited;
- A slight increase in long term interest rates since 5 April 2013;
- Good investment returns in the Scheme's assets.

The funding position for the combined AVX Limited Pension Scheme and The AVX Retirement Plan as at 5 April 2013 showed that the Scheme's assets could not have paid for full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date. This is not at all unusual given that winding the Scheme up and securing benefits with an insurance company is much more expensive than continuing to run it.

	£ millions
The estimated liabilities if the Scheme were to be wound-up were:	142.4
The Scheme's assets:	81.9
Buy-out shortfall:	60.5

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Scheme. It is just another piece of information we hope will help you understand the financial security of your benefits.

It should also be noted that the Trustees have secured funding guarantees from AVX Corporation.

The actuarial information in relation to the Scheme is shown on pages 27 to 28 of the Annual Report.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Trustees' Report**

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#### **Membership**

The membership movements of the Scheme for the year are given below:

	Actives	Pensioners	Members with Preserved Benefits	Total
At 6 April 2014	6	527	591	1,124
Adjustments	-	-	(1)	(1)
Retirements	(1)	10	(9)	-
Deaths	-	(14)	-	(14)
Transfers out	-	-	(1)	(1)
Spouses and dependants	-	8	-	8
Pensions commuted for cash	-	1	-	1
At 5 April 2015	<u>5</u>	<u>532</u>	<u>580</u>	<u>1,117</u>



## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Trustees' Report**

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## **Investments**

### **General**

All investments have been managed during the year under review by the investment manager and AVC providers as detailed in the Trustees, Principal Employer and Advisers section on page 1. There is a degree of delegation of responsibility for investment decisions.

The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the investment manager. Over the year to 5 April 2015, the Trustees undertook an investment strategy review of the bond portfolio managed by the investment manager. As a result of this review, the Trustees transferred the Scheme's holdings in the UK Index Linked Gilts Over 5 Years Index Sub-Fund to the UK Index Linked Gilts Over 15 Years Index Sub-Fund.

### **Investment principles**

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statement was updated in June 2010 and a copy of the statement is available on request. The Trustees primary objectives in considering the investment policy are:

- To restore the funding position of the Scheme on an ongoing basis to at least 100%.
- To ensure that it can meet its obligation to the beneficiaries of the Scheme.
- To pay due regard to the Company's interest in the size and incidence of contribution payments.
- To achieve a return on the total Scheme monies which is compatible with the level of risk considered appropriate.

### **Responsible investment and corporate governance**

The Trustees believe that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustees have given the investment manager full discretion when evaluating ESG issues and in exercising right and stewardship obligations attached to the Scheme's investments.

Similarly, the Scheme's voting rights are exercised by its investment manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

### **The Myners Review and Code of Best Practice**

The Myners principles codify best practice in investment decision-making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustees consider that their investment policies and their implementation are in keeping with these principles.

# **AVX Limited Pension Scheme**

## **Annual Report for the year ended 5 April 2015**

### **Trustees' Report**

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#### **Investment Report**

Both growth and defensive assets delivered positive returns over the 12 month period to 31 March 2015 with many of the world's central banks continuing to ease monetary policy. Strong economic growth at the start of the 12 month period slowed somewhat over the six months leading to 31 March 2015. The sharp fall in commodity prices in the second half of 2014 led to increased market volatility. Most pension schemes will have seen an increase in liability values as bond yields fell over the 12 month period.

Performance was positive both for growth and defensive assets, with long dated government bonds outperforming the equity market. In the UK, economic growth remained strong throughout the year, as the Office for National Statistics revised the real GDP growth rate for 2014 from 2.6% to 2.8%, the fastest calendar year growth rate since 2006. The annual inflation rate fell to zero in February 2015.

Whilst economic growth in the UK has been strong, growth was strongest in the US which led to a US Dollar rally against Sterling and most other currencies. Sterling, however, appreciated against the Euro and the Japanese Yen. Emerging market assets underperformed their developed counterparts as falling commodity prices and the rising US dollar affected a number of countries in this region significantly.

#### **Equities**

At a global level, developed markets as measured by the FTSE World index, returned 18.8% meanwhile, a return of 16.3% was recorded by the FTSE AW Emerging Markets index.

European markets returned 7.5% as indicated by the FTSE World Europe ex UK index.

UK stocks as measured by the FTSE All Share index returned 6.6%. The FTSE USA index returned 26.5%, while the FTSE Japan index rose to 27.1%.

Equity market Total Return figures are in Sterling terms over the 12 month period to 31st March 2015.

#### **Bonds**

Returns on UK Government Bonds as measured by the FTSE Gilts All Stocks Index, recorded growth of 13.9%, while long dated issues as measured by the corresponding Over 15 Year Index recorded growth of 27.0%. The yield for the FTSE Gilts All Stocks index fell over the year from 3.0% to 2.0%

The FTSE All Stocks Index Linked Gilts index returned 18.55% with the corresponding 15 year index also exhibiting a positive return of 28.1%.

Corporate debt as measured by the BofA Merrill Lynch Sterling Non-Gilts index returned 13.3%.

Bond market Total Return figures are in Sterling terms over the 12 month period to 31st March 2015.

#### **Property**

UK property investors continued to benefit from the improving property market. Over the 12 month period to 31 March 2015, the IPD UK All Property Index returned 18.3% in Sterling terms. The three main sectors of the UK Property market each recorded strong positive returns over the period (retail: 13.4%; office: 22.9%; and; industrial 22.7%).

#### **Commodities**

The price of Brent Crude fell significantly by 49.2% from \$107.31 to \$54.56 per barrel over the one year period to 31st March 2015. Over the same period, the price of Gold also depreciated by 7.9% from \$1289.28 per troy ounce to \$1187.60.

The S&P GSCI Commodity Spot Index depreciated by 31.4% over the one year period to 31st March 2015 in Sterling terms.

#### **Currencies**

Over the 12 month period to 31st March 2015, Sterling fell 10.9% against the US Dollar from \$1.667 to \$1.485. Sterling appreciated 3.7% against the Yen from ¥171.69 to ¥178.03, and also appreciated against the Euro by 14.0% from €1.21 to €1.38 over the same period.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Trustees' Report

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##### Review of investment performance

The performance of the Scheme's investments against each of their benchmarks for the 1, 3 and 5 year periods to 31 March 2015, as reported in the SSgA investment report quarter to 31 March 2015, is shown in the table below:

	1 Year %	3 Years % p.a.	5 years % p.a.
SSgA MPF UK Equity Index Fund	6.69	10.72	8.44
<i>Benchmark</i>	6.57	10.64	8.34
SSgA MPF Japan Equity (100% Hedged) Index Fund	31.01	23.24	10.66
<i>Benchmark</i>	31.82	23.42	10.74
SSgA MPF North American Equity (100% Hedged) Index Fund	12.27	15.70	13.49
<i>Benchmark</i>	12.29	15.68	13.46
SSgA MPF Asia Pacific Equity ex Japan (100% Hedged) Index Fund	7.84	8.05	5.52
<i>Benchmark</i>	7.86	8.11	5.52
SSgA MPF Europe ex-UK Equity (100% Hedged) Index Fund	19.09	19.12	10.86
<i>Benchmark</i>	19.49	19.30	10.93
SSgA MPF UK Over 15yr Conventional Gilt Index Fund	27.04	10.03	11.80
<i>Benchmark</i>	26.96	9.98	11.75
SSgA MPF Sterling Corporate Bonds All Stocks Index Fund	13.23	8.84	8.10
<i>Benchmark</i>	13.20	8.75	8.06
SSgA MPF UK Index Linked Gilts Over 15 Years Index Fund*	N/A	N/A	N/A
<i>Benchmark</i>	N/A	N/A	N/A

\*1, 3 and 5 year return figures are not applicable as inception date was 1 November 2014.

##### Deployment of Assets

The deployment at the year end and the previous year end of the assets underlying the investments (excluding AVCs) is shown in the table below:

	2015 %	2014 %
UK Equities	17.3	17.9
Overseas Equities	26.5	28.4
UK Fixed Interest and Corporate Bonds	<u>56.2</u>	<u>53.7</u>
	<u>100.0</u>	<u>100.0</u>

##### Custodial arrangements

The Trustees have appointed the custodian as detailed on pages 1 to 2 as custodian of the Scheme's assets managed by the investment manager. The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

PFT Limited, a wholly owned subsidiary of Mercer Limited, has been appointed by the Trustees as custodian of the cash held in connection with the administration of the Scheme.

##### Basis of investment manager's fees

State Street Global Advisors charges fees quarterly based on an annual fixed charge of £1,000 plus variable rates bands of 0.100% to 0.275% on investment fund balances.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Trustees' Report**

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##### **Further information**

Further disclosures required by legislation are included in the Compliance Statement on pages 24 to 26.

Further information about the Scheme is given in the explanatory booklet which has been issued to all members.

Signed on behalf of the Trustees on 5th Oct 2015

R. Lawrence Trustee

M. J. Cann Trustee

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Statement of Trustees' Responsibilities**

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The accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited accounts for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition, at the end of the Plan year, of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustees have supervised the preparation of the accounts and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Independent Auditors' Report to the Trustees**

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#### **Independent Auditors' Report to the Trustees of AVX Limited Pension Scheme**

##### **Report on the accounts**

###### **Our opinion**

In our opinion, AVX Limited Pension Scheme's accounts:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

###### **What we have audited**

AVX Limited Pension Scheme's accounts, comprise:

- the net assets statement as at 5 April 2015;
- the fund account for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the accounts is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Responsibilities for the accounts and the audit**

###### **Our responsibilities and those of the Trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the accounts and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Independent Auditors' Report to the Trustees**

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##### **What an audit of accounts involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the accounts.

We primarily focus our work in these areas by assessing the Trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast  
Date: *5 October 2015*

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Accounts**

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##### **Fund Account**

	Note	2015 £	2014 £
<b>Contributions and benefits</b>			
Contributions	3	4,894,382	4,622,025
Transfers in	4	149,559	12,391,079
Other income	5	557	878
		<u>5,044,498</u>	<u>17,013,982</u>
Benefits	6	(2,895,231)	(3,002,863)
Payments to and on account of leavers	7	(29,882)	(289,152)
Other payments	8	(30,064)	(28,343)
Administration expenses	9	(250,271)	(236,269)
		<u>(3,205,448)</u>	<u>(3,556,627)</u>
<b>Net additions from dealings with members</b>		<u>1,839,050</u>	<u>13,457,355</u>
<b>Returns on investments</b>			
Investment income	10	32,635	30,838
Investment management expenses	11	(122,923)	(108,886)
Change in market value of investments	12	14,407,916	4,965,879
<b>Net returns on investments</b>		<u>14,317,628</u>	<u>4,887,831</u>
<b>Net increase in the fund during the year</b>		<u>16,156,678</u>	<u>18,345,186</u>
<b>Net assets at 6 April</b>		<u>88,514,051</u>	<u>70,168,865</u>
<b>Net assets at 5 April</b>		<u>104,670,729</u>	<u>88,514,051</u>

The notes on pages 16 to 21 form part of these accounts.



## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Accounts

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#### Net Assets Statement

	Note	2015 £	2014 £
Investment assets	12	104,137,190	88,248,463
Current assets	13	625,608	835,512
Current liabilities	14	(92,069)	(569,924)
<b>Net assets at 5 April</b>		<b>104,670,729</b>	<b>88,514,051</b>

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report on page 5 and the actuarial information on pages 27 to 28 and these accounts should be read in conjunction therewith.

The notes on pages 16 to 21 form part of these accounts.

The accounts on pages 14 to 21 were approved by the Trustees on 5th Oct 2015

Signed on behalf of the Trustees

R J Lawrence Trustee

M A M Cunn Trustee

# **AVX Limited Pension Scheme**

## **Annual Report for the year ended 5 April 2015**

### **Notes to the Accounts**

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#### **1. Basis of preparation**

The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised 2007).

#### **2. Accounting policies**

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

##### **2.1 Accruals concept**

The accounts have been prepared on an accruals basis.

##### **2.2 Valuation of investments**

The market value of pooled investment vehicles is based on the bid price operating at the year end, as advised by the investment manager.

The AVC investments include policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, excluding final expected bonus, as advised by the AVC providers.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

##### **2.3 Contributions and benefits**

Contributions are accounted for in the period in which they fall due.

Benefits are accounted for in the period in which they fall due based on the date of leaving, retirement or death.

Employer deficit funding contributions are accounted for on the due dates in accordance with the Schedule of Contributions.

Income arising from annuity policies is included in investment income and the pensions paid are included in benefits payable.

##### **2.4 Transfers**

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

Group transfers are accounted for on the accruals basis where the Trustees have agreed to accept the liability for members' benefits.

##### **2.5 Income**

Income is accounted for in the period in which it falls due.

##### **2.6 Fees and expenses**

Fees and expenses are accounted for in the period in which they fall due.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Notes to the Accounts**

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### **3. Contributions**

	2015 £	2014 £
Contributions from employer:		
Normal	46,616	58,948
Deficit funding	4,782,000	4,491,000
	<u>4,828,616</u>	<u>4,549,948</u>
Contributions from members:		
Normal	32,971	38,287
Additional voluntary contributions	32,795	33,790
	<u>65,766</u>	<u>72,077</u>
	<u>4,894,382</u>	<u>4,622,025</u>

Deficit funding contributions were received in accordance with the Schedule of Contributions certified by the Actuary on 6 August 2013. Under the Schedule of Contributions certified by the Actuary on 6 August 2013 deficit contributions of £398,500 per month is payable into the Scheme during the period 1 October 2013 to 31 May 2018 inclusive.

### **4. Transfers in**

	2015 £	2014 £
Group transfers in from other schemes	-	12,238,458
Individual transfers in from other schemes	149,559	152,621
	<u>149,559</u>	<u>12,391,079</u>

During the prior year a group transfer in was received from the defined benefit section of the AVX Retirement Plan in respect of 230 members with effect from 30 September 2013. The group transfer in consisted of pooled investment vehicles of £12,086,136, AVC investments of £70,500 and net current assets of £81,822.

### **5. Other income**

	2015 £	2014 £
Interest on cash deposits held by the Trustees	<u>557</u>	<u>878</u>

### **6. Benefits**

	2015 £	2014 £
Pensions	2,742,731	2,413,201
Commutations and lump sums on retirement	138,578	586,759
Lump sums on death in retirement	13,922	1,073
Refunds of contributions on death	-	1,830
	<u>2,895,231</u>	<u>3,002,863</u>

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Notes to the Accounts**

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#### **7. Payments to and on account of leavers**

	2015 £	2014 £
Individual transfer values paid to other schemes	<u>29,882</u>	<u>289,152</u>

Included in the above is a transfer value of £10,240 which represents a disinvestment of AVC monies from AVIVA to The AVX Retirement Plan.

#### **8. Other payments**

	2015 £	2014 £
Premiums on term insurance policies	<u>30,064</u>	<u>28,343</u>

Term insurance is secured by policies underwritten by Assicurazioni Generali S.p.A and UnumProvident.

#### **9. Administration expenses**

	2015 £	2014 £
Administration fees	81,954	58,184
Audit fees	7,225	3,900
Trustee fees	3,600	4,200
Legal fees	168	9,778
Miscellaneous expenses	44	35
Scheme levies	42,148	39,189
Pension consultancy and actuarial	115,132	120,983
	<u>250,271</u>	<u>236,269</u>

The above audit fee includes the 2014 fee relating to The AVX Retirement Plan.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Notes to the Accounts

#### 10. Investment income

	2015 £	2014 £
Annuity income	<u>32,635</u>	<u>30,838</u>

#### 11. Investment management expenses

	2015 £	2014 £
Administration, management and custody fees	<u>122,923</u>	<u>108,886</u>

#### 12. Investment assets

##### 12.1 Investments

	2015 £	2014 £
Pooled investments		
- Managed funds		
- UK non-property	76,115,987	62,963,641
- Overseas non-property	<u>27,505,443</u>	<u>24,925,004</u>
	<u>103,621,430</u>	<u>87,888,645</u>
AVC investments	<u>515,760</u>	<u>359,818</u>
	<u>104,137,190</u>	<u>88,248,463</u>

##### 12.2 Summary of movement of investments for the year

	Market value at 6 April 2014 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	Market value at 5 April 2015 £
Pooled investments	87,888,645	18,223,821	(16,889,820)	14,398,784	103,621,430
AVC investments	359,818	182,353	(35,543)	9,132	515,760
	<u>88,248,463</u>	<u>18,406,174</u>	<u>(16,925,363)</u>	<u>14,407,916</u>	<u>104,137,190</u>

##### 12.3 Pooled investments

The pooled investments are held in the name of the Scheme. Income generated by these units is not distributed, but retained within the pooled investments and reflected in the market value of the units.

The company managing the pooled investments is registered in the United Kingdom.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Notes to the Accounts

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##### 12.4 AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below.

	2015 £	2014 £
Prudential Assurance	430,078	266,108
Phoenix Life and Pensions Limited	17,219	19,586
Aviva	68,463	74,124
	<u>515,760</u>	<u>359,818</u>

##### 12.5 Transaction costs

Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

##### 12.6 Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2015		2014	
	£	%	£	%
SSgA Sterling Corp Bonds All Stock Fund	28,009,986	26.8	23,415,270	26.5
SSgA MPF UK Index Linked Gilts Over 15y Index Sub Fund	15,435,759	14.7	N/A	N/A
SsgA UK Equity Index Fund	17,961,663	17.2	15,789,514	17.8
SSgA MPF UK Conventional Gilts Over 15y Gilt Index Fund	14,708,578	14.1	11,875,574	13.4
SSgA Europe ex UK Equity (100% Hedged) Sub Fund	11,134,875	10.6	10,302,425	11.6
SSgA MPF UK Index Linked Gilts over 5y	N/A	N/A	11,883,282	13.4
SSgA North America Equity(100% Hedged) Sub Fund	8,163,417	7.8	7,632,936	8.6

The Scheme did not hold any employer related investments during the current and prior year.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Notes to the Accounts**

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#### **13. Current assets**

	2015 £	2014 £
Contributions receivable - employer	402,316	402,620
- members	2,716	2,854
Reimbursement of insured pensions	-	610
Pensions paid in advance	32,100	30,784
Life assurance paid in advance	6,602	22,980
AVC maturities receivable	-	5,634
Cash deposits held with the Scheme Administrator	181,874	370,030
	<u>625,608</u>	<u>835,512</u>

The contributions due as at 5 April 2015 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

The cash deposits held with the Scheme Administrator represents the balance applicable to the Scheme on the PFT Limited Clients' Trust Account. The account is held with the National Westminster Bank Plc.

#### **14. Current liabilities**

	2015 £	2014 £
Reimbursement of pensions received in advance	329	327
Lump sums on retirement payable	-	406,313
Death benefits payable	-	2,208
Taxation payable	28,348	25,900
Administrative expenses payable	26,680	74,585
Investment management expenses payable	31,923	60,591
Due to AVX Limited	4,789	-
	<u>92,069</u>	<u>569,924</u>

#### **15. Related party transactions**

S H Cunday, a Trustee of the Scheme, was a deferred member of the Scheme during the current and prior year. P Fenwick, a Trustee of the Scheme was a pensioner of the Scheme during the current and prior year. R J Lawrence, a Trustee of the Scheme, became an active member of the Scheme with effect from 30 September 2013.

S H Cunday and P Fenwick are being paid for services as Trustees. This is because they are Member-Nominated Trustees who are no longer employed by the Company. The fees are met by the Scheme.

The Trustees and the Guarantor, AVX Corporation, have agreed that the Scheme will have the benefit of a guarantee from the Guarantor in respect of the liabilities of AVX Limited to the Scheme.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Independent Auditors' Statement about Contributions to the Trustees**

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#### **Independent Auditors' Statement about Contributions to the Trustees of AVX Limited Pension Scheme**

##### **Statement about contributions**

###### **Our opinion**

In our opinion, the contributions required by the Schedule of Contributions for the Scheme year ended 5 April 2015 as reported in AVX Limited Pension Scheme's Summary of Contributions have in all material respects been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 6 August 2013.

###### **What we have examined**

AVX Limited Pension Scheme's Summary of Contributions for the Scheme year ended 5 April 2015 is set out on the following page.

##### **Responsibilities for the statement about contributions**

###### **Our responsibilities and those of the Trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

###### **What an examination of the Summary of Contributions involves**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast

Date: ..... *5 October 2015* .....



## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2015

#### Summary of Contributions

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During the year ended 5 April 2015, the contributions payable to the Scheme by the company were as follows:

	2015 £
Contributions payable under the Schedule of Contributions:	
Contributions from employer:	
Normal	46,616
Deficit funding	4,782,000
	<u>4,828,616</u>
Contributions from members:	
Normal	32,971
Additional voluntary contributions	32,795
	<u>65,766</u>
Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditors) and reported in the accounts	<u><u>4,894,382</u></u>

Signed on behalf of the Trustees on 5th Oct 2015 .....

R J Lawrence  
..... Trustee

M A M Carr  
..... Trustee

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Compliance Statement**

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#### **Constitution**

The Scheme was established on 16 November 1987 and is governed by a definitive trust deed dated 20 September 1991, with subsequent amendments.

#### **Taxation**

The Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004.

#### **Pension increases**

The following pension increases are disclosed as at 6 April 2014, as these reflect the pensions in payment during the year:

As at 6 April 2014, all pensions in payment to Tantalum members of the Scheme were increased as follows:

- 2.7% on pre 97 excess over Guaranteed Minimum Pension;
- 2.7% on post 1988 Guaranteed Minimum Pension;
- 3.2% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2014, all pensions in payment to Varelco members of the Scheme were increased as follows:

- 2.6% on pre 97 excess over Guaranteed Minimum Pension;
- 2.7% on post 1988 Guaranteed Minimum Pension;
- 2.6% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2014, all pensions in payment to ex-Retirement Plan members were increased as follows:

- 0.0% on benefits earned before 6 April 1997;
- 2.7% on post 1988 Guaranteed Minimum Pension=CPI;
- 3.2% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

No discretionary pension increase was awarded during the year.

#### **Calculation of transfer values**

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993. None of the transfer values paid was less than the amount provided by the Regulations.

#### **Benefit Design Changes**

From 1 July 2007 active members in the Scheme (including the recently merged section from the AVX Retirement Plan) can elect to remain on the 1/60ths accrual rate or move down to the 1/80ths accrual rate, with corresponding member contribution rates of 13% or 8% of Pensionable Salaries respectively.

Pension built up prior to 1 July 2007 is unaffected.

Active members have a further option on a one-off basis to switch from their original decision on any 1 April between now and when they retire. This switch, if made, would be final and non-reversible.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Compliance Statement**

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#### **Employer-related investments**

There was no employer-related investment at any time during the year.

#### **The Pensions Regulator**

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
Telephone: 0845 600 0707  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

#### **Pensions tracing**

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: 0345 6002 537

#### **The Pensions Advisory Service**

Any concerns connected with the Scheme should be referred to Helen McCann, at the address shown on page 2, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme and are not satisfied by the information or explanation given by the administrators or the trustees can consult with The Pensions Advisory Service. A local adviser can usually be contacted through a Citizens Advice Bureau. Alternatively the Service can be contacted at:

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB  
Telephone: 0300 123 1047  
Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

#### **Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved, normally after the intervention of The Pensions Advisory Service, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB  
Telephone: 020 7630 2200  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Compliance Statement**

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#### **The Pension Protection Fund**

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Actuarial Information**

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##### **Certification of schedule of contributions**

###### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the Statutory Funding Objective can be expected to be met at the valuation date of 5 April 2012, by the end of the period specified in the Recovery Plan dated April 2013.

###### **Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated April 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound-up.

**Signature**

Paul McCarron

**Scheme Actuary**

Paul McCarron

**Qualification**

Fellow of the institute of Actuaries

**Date of signing**

6 August 2013

**Name of employer**

Mercer Limited

**Address**

Bedford House  
Bedford Street  
Belfast BT2 7DX

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2015**

#### **Actuarial Information**

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##### **Certificate of technical provisions**

###### **Calculation of technical provisions**

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 5 April 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated April 2013.

**Signature**

Paul McCarron

**Name**

Paul McCarron

**Qualification**

Fellow of the institute of Actuaries

**Date of signing**

5 July 2013

**Name of employer**

Mercer Limited

**Address**

Bedford House  
Bedford Street  
Belfast BT2 7DX