

AVX LIMITED PENSION SCHEME (“the Scheme”)

TRUSTEES' REPORT FOR THE YEAR ENDED 5 APRIL 2016

1. INTRODUCTION

Welcome to your 2016 newsletter for the AVX Limited Pension Scheme (“the Scheme”). This newsletter is prepared by the Trustees of the Scheme and the aim is to provide you with relevant information about how the Scheme is run and to keep you updated on matters relating to it.

Please let us know what you think and if there are any items you would like to see in future newsletters (see the last page for our contact details).



2. WHO LOOKS AFTER THE SCHEME

The Trustees are entrusted with ensuring that the Scheme delivers the benefits promised to the members. **This involves reviewing how the Scheme is administered for different types of member**, managing how the funds are invested, what contributions AVX, the sponsoring Company and members make and any discretionary decisions such as beneficiaries in the event of a death.

The Trustees ensure that an annual benefit statement is sent to every active member, allowing them to understand **how their pension entitlement is building up**. A Summary Funding Statement, accompanying this newsletter, is issued to all members annually showing how the Scheme is funded. We also ensure that more detailed information about the Scheme, some of which is legally required, is available for all members on request.

Some of our Trustees are employees appointed by the Company (‘Company Trustees’) and some are voted on to the board by the members of the Scheme (‘Member Trustees’).

All our Trustees are required to act in the interests of the Scheme members, including retired employees (who are drawing pensions), deferred members (who are no longer paying into the Scheme, but still have pension entitlements that they will take in the future), and active members (who are currently employed by AVX, and are building up pension entitlements).

Company Trustees
Bert Lawrence
Kurt Cummings
Helen McCann
Member Trustees
Simon Cunday
Peter Fenwick
Martin Bogues



3. FINANCIAL REVIEW

3.1 [AVX's Commitment to the Scheme](#)

The ability and willingness of AVX Limited to continue to fund the Scheme remains as important as ever. The Trustees remain closely engaged with the Company to help ensure that this continues to be the case. We negotiated a legally enforceable guarantee from AVX Corporation, the parent company to AVX Limited, as part of the 2009 actuarial valuation. AVX Corporation has agreed to ensure that AVX Limited has sufficient assets to meet its pension obligations both on an ongoing basis and in the event of the Scheme being wound up.

Simultaneously, we have continued to develop our understanding of AVX Limited's financial strength and are satisfied that it is able to fund the Scheme.

Every three years, an actuarial valuation is carried out. On the years between valuations, annual updates known as actuarial reports are completed.

3.2 Accounts

The accounts shown overleaf illustrate how the Scheme's assets decreased from £104.7m on 5 April 2015 to £103.2m on the same date in 2016. This reflects the poor investment returns that were achieved on the Scheme's assets during the period from 5 April 2015 to 5 April 2016, which has been partially offset by the large contributions paid by the Company to the Scheme to rectify the current shortfall.

3.3 Summary

We, the Trustees, are satisfied that the Scheme's financial position is as secure as possible bearing in mind:

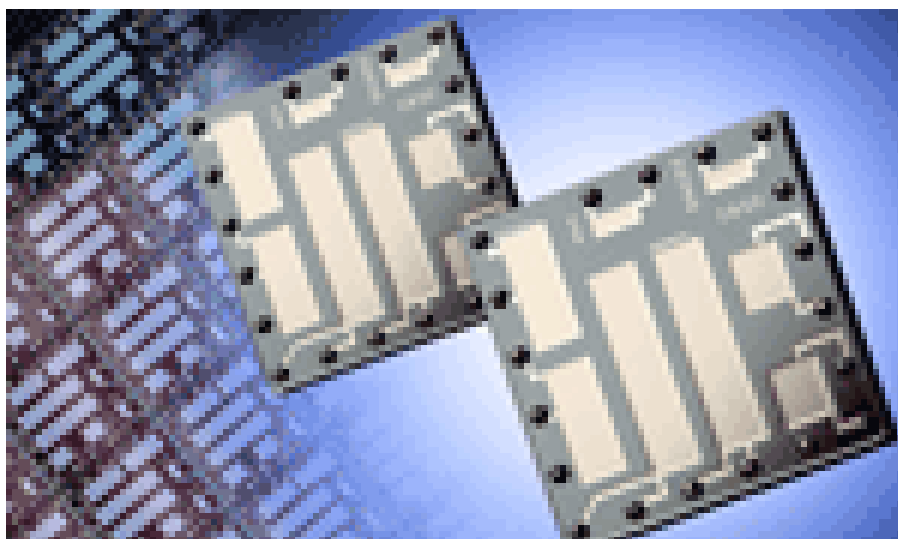
- The strong balance sheet of AVX Limited in the UK, combined with robust UK pensions legislation which places strong obligations on employers;
- The additional financial guarantee from AVX

Corporation in the US to the Trustees of the Scheme in relation to AVX Limited's financial obligations to the Scheme;

- Our continued strategy of gradually moving the Scheme's investments into bonds which are better matched to the nature of the Scheme's liabilities.
- The Trustees continue to closely monitor the ongoing funding of the Scheme.

4. SCHEME MEMBERSHIP AT 5 APRIL 2015 AND 5 APRIL 2016

	2016	2015
Members currently employed	1	5
Pensioners:	540	532
Ex-employees who have retained their pension rights in the Scheme:	<u>559</u>	<u>580</u>
Total Membership:	1,100	1,117



5. INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 5 APRIL 2015 AND 5 APRIL 2016

	2016 £000s	2015 £000s
INCOME		
Contributions (<i>see Note 1</i>)	4,829	4,894
Transfers in	-	150
Bank interest	-	1
Total Income	<u>4,829</u>	<u>5,045</u>
EXPENDITURE		
Benefits Paid (<i>see Note 2</i>)	3,533	2,895
Payments to and on account of leavers	721	30
Group Life Assurance Premiums	(36)	30
Fees and Expenses	331	250
Total Expenditure	<u>4,549</u>	<u>3,205</u>
Excess of Income over Expenditure	280	1,839
Plus:		
Investment Return on Scheme Assets	(1,720)	14,318
Plus		
Balance of Fund at Start of Year	104,671	88,514
Equals		
Balance of Fund at End of Year	<u>103,231</u>	<u>104,671</u>

Notes:

1. A split of the Contributions paid during the year is as follows:

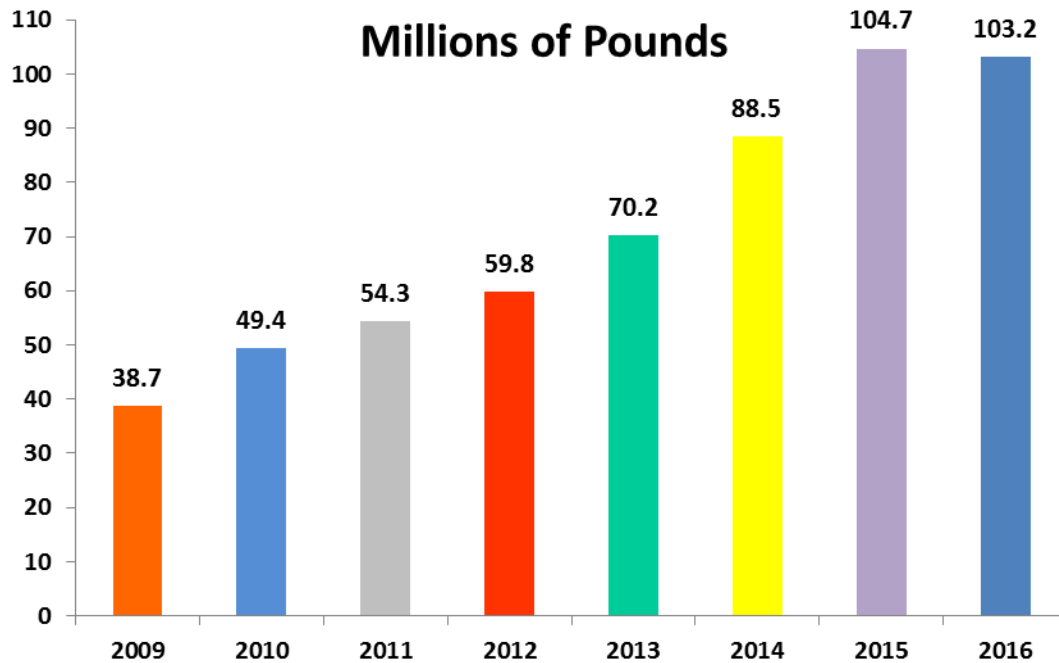
	2016 £'000	2015 £'000
Company	4,802	4,828
Members	15	33
Additional Voluntary Contributions	<u>12</u>	<u>33</u>
	4,829	4,894

2. Benefits paid during the year were as follows:

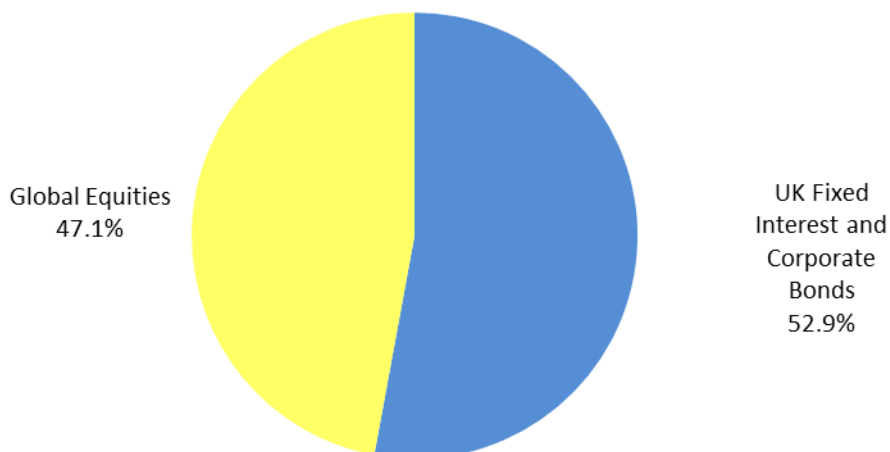
	2016 £'000	2015 £'000
Pensions	2,848	2,743
Lump sums on retirement	659	138
Lump sums on death in retirement	2	14
Taxation where lifetime or annual allowance exceeded	<u>24</u>	-
	3,533	2,895

6. ASSET VALUES

The following chart shows how the market value of the Scheme's assets has changed over the last six years. In each year, the market value of the assets is shown as at 5 April. For the period from 2014, the assets include the former Retirement Plan assets which were merged into the Scheme in late 2013.



7. ASSET DISTRIBUTION AT 5 APRIL 2016



The target asset split is 55% in bonds and 45% in equities.

8. SCHEME ADVISORS

The advisers to the Scheme are:

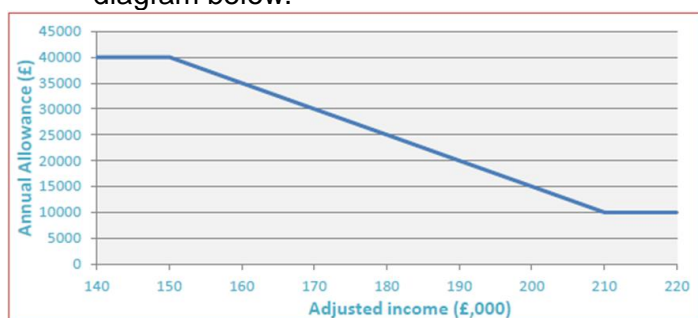
Scheme Actuary:	Mr Simon Hall, Mercer Limited
Pension Administrators/ Consultants:	Mercer Limited
Auditors:	Pricewaterhouse- Coopers LLP
Insurers:	Friends Life
Investment Managers:	Mercer Investment Management Limited

9. KEY CHANGES FOLLOWING THE 2015 AND 2016 BUDGETS

A number of key changes to pension schemes were introduced by the Summer Budget presented in July 2015, and further in the Summer Budget presented in March 2016. The changes mainly relate to pensions taxation which may impact your current or future benefits in the Scheme or other pension arrangements you may be a member of. We have detailed a number of the key changes below.

The Annual Allowance (AA)

The Annual Allowance (AA) is the total amount of tax-advantaged pension savings you can make over a year. The standard AA before April 2016 was £40,000. However, starting from the 2016/2017 tax year, the Government has introduced a reduced AA for some people. For people with adjusted income* plus pension contributions (from both you and the Bank) over £150,000, the AA will reduce by £1 for every £2 of adjusted income* above £150,000, down to a minimum of £10,000, as outlined in the diagram below.



The AA is measured over a time period called the Pension Input Period (PIP). From 6 April 2016 the Government standardised the PIP to the 6 April to 5 April tax year for all schemes.

*Includes the value of all annual pension savings. Adjusted income is your taxable income, less certain tax reliefs, such as Gift Aid donations to charity. Your taxable income includes your salary, bonus, overtime, taxable benefits, investment and rental income. Visit <https://www.gov.uk/guidance/adjusted-net-income> to find out more.

The Lifetime Allowance (LTA)

From 6 April 2016, the Lifetime Allowance (LTA) reduced from £1.25 million to £1 million. The LTA is the total amount of tax-advantaged pension savings that can be made over an individual's lifetime, from all pension arrangements (Defined Benefit 'DB' and Defined Contribution 'DC'). For this purpose, DB pensions at retirement are multiplied by 20, so a £50,000 p.a. DB pension would be "worth" £1 million.

New protections, Individual Protection 2016 (IP2016) and Fixed Protection 2016 (FP2016), were introduced in April 2016 to support individuals who already have large accumulated pension savings.

For more information visit: www.gov.uk/tax-on-your-private-pension/lifetime-allowance

Neither the Trustees nor the Bank can give members advice on their tax position and, if appropriate, you may wish to take tax advice on how these changes may impact on your own tax position.

10. EU REFERENDUM

As you will have seen in the extensive media coverage, the UK voted to leave the European Union (EU) in June 2016. Whilst it is still very early days, and what the UK will look like outside of the EU is not yet clear, the Trustees continue to monitor any impact the UK's exit may have on the Scheme. In the short to medium term, the uncertainty is likely to have an impact on the funding level of the Scheme, as investment markets react to the uncertainty.

The Scheme's investment strategy aims to limit exposure to volatility such as this.

11. PENSION SCAMS

Along with the Pensions Regulator and HMRC the Trustees continue to be concerned about the number of members of UK schemes who have been enticed into pension scams known as pension liberation fraud. Pension scams are on the increase (particularly in light of the increased pension freedoms now available) and the Trustees are keen to avoid members becoming victims.

Many pension liberation schemes work by suggesting that they can provide individuals with early access to their pension savings without explaining the very significant tax consequences that are likely to arise as a result. Early access to pensions in this way is rarely in anyone's long term financial interests and we strongly advise any individuals who are considering such offers to seek independent financial advice. A local list of independent financial advisers can be obtained at www.unbiased.co.uk.

If you think you are being targeted, never feel rushed or pressured into making a pension transfer. Before you sign anything call The Pensions Advisory Service on 0300 123 1047 or if you have already accepted an offer, call Action Fraud on 0300 123 2040. Further information can be found at <http://www.thepensionsregulator.gov.uk/pension-scams>

12. ACTUARIAL FACTORS

Following the 2015 Actuarial Valuation the factors which are used either to convert one form of benefit to another, or adjust the pension for a variation in the period over which it will be paid were reviewed and amended. Examples of these can be found on the Scheme's website, detailed under section 14.

13. THE IMPORTANCE OF A WILL

From time to time it is a very good idea to take a thorough stock check of your finances. In particular, one question to ask yourself is when did you last review your will and establish whether it's up to date? Changes which may make your will out of

date include marriage, divorce, births and deaths, as well as financial changes such as buying a home. When planning a will it is important to consider inheritance tax attached to your personal savings and the value of your home. Many solicitors are able to provide guides and questionnaires to help you. For more information on how to find a solicitor, go to www.lawsociety.org.uk in England or <https://www.lawsoc-ni.org> in Northern Ireland.

It is possible to make your own will and you can buy pre-printed will forms at most good stationers for this purpose. However, if you are in any doubt or you'd like help and guidance, it's advisable to consult a solicitor. Alternatively, some charities provide a will writing service, or you may be able to get free legal advice under the Government's Legal Help scheme, provided you meet the necessary criteria. Advice on who is eligible under the scheme, along with a list of participating solicitors, can be obtained from the Citizens Advice Bureau (www.citizensadvice.org.uk) or the Law Society in England (www.lawsociety.org.uk), <https://www.lawsoc-ni.org> in Northern Ireland or the Scottish Legal Aid Board (www.slab.org.uk) if you live in Scotland.

14. SCHEME WEBPAGE

As you may recall, members of the Scheme can access information about their pension online via the Scheme's website. This website address is www.avxlimitedpensionscheme.com

15. TRIVIAL COMMUTATION

The Government have increased the limits for allowing members the opportunity to exchange their pension for a one-off cash lump sum (trivial commutation). The Trustees are undertaking an exercise to write to members of the Scheme with benefits below the limit setting out their options. If you are one of the members who may be eligible for a lump sum you will receive further information early next year.

16. STAYING IN TOUCH

The Trustees will continue to meet regularly to monitor the progress of the Scheme.

The member-nominated trustees are Simon Cunday, Peter Fenwick (pensioner) and Martin Bagues. They are keen to ensure that you remain in touch with them and their contact details are:

Simon Cunday:

Telephone: 01803 401766

E-mail: simon-cunday@blueyonder.co.uk

Peter Fenwick:

Telephone: 01803 782723

E-mail: peterfenwick68@yahoo.co.uk

Martin Bagues:

Telephone: 02870 340422

E-mail: baguesm@col.avxeur.com

If you have any questions or concerns which you would like to be addressed via the Company, your contact is:

Ms Helen McCann
HR Manager
AVX Limited
Hillmans Way
Coleraine
BT52 2DA

Telephone: 02870 340661

E-mail: McCannH@col.avxeur.com

Your contact at Mercer, the advisers for the AVX Scheme, is

Kathryn Rae

Telephone: +44(0)141 285 0051

E-mail: Kathryn.Rae@mercer.com

**Trustees of the AVX Limited Pension Scheme
November 2016**