

**AVX LIMITED PENSION SCHEME  
SUMMARY FUNDING STATEMENT  
JANUARY 2014**

Dear Member

**Summary Funding Statement**

The purpose of this statement is to give members the latest details of the AVX Limited Pension Scheme's ("the Scheme") funding position and show the steps being taken to reduce the shortfall. It takes account of the combined financial position of the Scheme and the AVX Retirement Plan following the merger that was completed on 30 September this year. All references to the "Scheme" includes those pensions that have been merged in from the AVX Retirement Plan.

<http://www.mercerbelong.com/client/AVXPensionScheme/>

This site was specially designed for members of the Scheme and we encourage you to visit it. It includes the short form version of the Trustees' Report and Accounts that we make available to members each year, and which brings you up to date with the Scheme's main developments during the year.

**Measuring the Scheme's Financial Position**

If you are an active contributing member then each year you are earning benefits in the Scheme linked to your Pensionable Salary. If you have left the Scheme, you have earned benefits during your Scheme membership which will be payable on retirement. If you have retired then you will be receiving a pension from the Scheme. The estimated cost of providing the benefits earned to date by all the active members and those who have left the Scheme together with the pension benefits already in payment are known as the Scheme's liabilities.

Money is collected from the active members and AVX ("contributions"). It is then invested to help provide the benefits due. It is held in a communal fund, completely separate from the assets of the Company and this fund is used to pay benefits as they fall due. The value of the communal fund is known as the Scheme's assets.

To check the Scheme's funding position the value of its liabilities is compared to its assets. If the Scheme has fewer assets than liabilities, it is said to have a "shortfall". If the assets exceed the liabilities there is said to be a "surplus".

**What is the Scheme's financial position?**

The latest actuarial valuation of the Scheme took place prior to the merger and showed that on 5 April 2012:

The value of the liabilities was	£82.0 million
The Scheme's assets were valued at	£59.6 million
This means that there was a shortfall of	£22.4 million
This equates to an ongoing funding level of	73%

At 5 April 2012 the Scheme's funding level was 73%. Our objective as Trustees is to move the funding position to 100% as quickly as possible and we expect this to occur as a result of additional contributions from AVX along with returns on the Scheme's assets.

In preparation for the merger, we compared the position of the pre-merger Scheme with that of the AVX Retirement Plan as at 5 April 2013. We added these together to see what the combined Scheme would look like. Details are provided below.

<b>Effective Date : 5 April 2013</b>	<b>AVX Retirement Plan</b>	<b>AVX Limited Pension Scheme</b>	<b>Combined Scheme</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
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, ie, asset value as a percentage of liability value	95%	78%	80%

### **Is the shortfall going to be paid off, and if so, how will this be done?**

The Company had been paying the following contributions to restore each funding position to 100% prior to the Merger:

Pension Scheme : £350k per month  
Retirement Plan : £48.5k per month

AVX has agreed to pay combined contributions of £398k per month (ie £4.8m per annum) to the merged Scheme, with a target date of 31 May 2018 to reach a 100% funding level. Our Actuary has also updated the combined funding position to 31 October 2013 and we are very pleased to see the improved position as set out below:

	<b>£m</b>
Assets	85.7
Liabilities	94.6
Deficit	8.9
Funding level	91%

The above figures mean that we are well ahead of our schedule of reaching 100% funding position by 31 May 2018. We will continue to track progress here. In the meantime, we note the improvements so far are 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.

### **Is my pension guaranteed?**

Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to pay for the Scheme.

If the Company goes out of business or decides to stop paying for the Scheme, it is expected to pay the Scheme enough money to buy all the benefits built up by members from an insurance company. This is known as the Scheme being “wound-up”.

We have reviewed the Company’s financial position and consider it to be strong. We also take into account the legally enforceable guarantee by AVX Corporation to stand over AVX Limited’s financial liability to the Scheme.

The comparison of the Scheme’s assets to the cost of hypothetically buying the benefits from an insurance company is known as the “solvency position”. The solvency position is shown below for information although the Company has no intention to allow the Scheme to be wound up. The solvency position is calculated as part of the actuarial valuation every three years.

**Is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?**

The updated funding position for the combined Pension Scheme and 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.

The estimated liabilities if the Scheme were to be wound-up were	£142.4 million
The Scheme’s assets were	£81.9 million
This means that there was a shortfall of	£60.5 million

You should note however, that the actual shortfall would depend on the cost of purchasing annuities with an insurance company, and this might be more, or less, than the estimate provided above. Again, we expect that the position on theoretical wind up will have improved since 5 April 2013, when insurance company premiums were particularly expensive.

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.

**What happens if the Scheme is wound-up and there is not enough money to pay for all my benefits?**

As indicated previously, the Trustees currently consider this possibility to be hypothetical only. In saying so, we bear in mind the considerable financial strength of AVX Limited along with the legally enforceable guarantee to stand over the Pension Scheme by AVX Corporate, the US Parent Company.

Although the funding position of the Scheme is in deficit, the Scheme continues to pay all members benefits, in full, as they fall due.

Pension  
Protection  
Fund

Further information and guidance is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

### **Where can I get more information?**

If you have any other questions, or would like any more information, please write to Mr RJ Lawrence, AVX Limited, Prospect House, 6 Archipelago, Lyon Way, Frimley, Surrey, GU16 7ER or Gillian Rodgers (the Scheme administrator) at Mercer Limited, 1 George Square, Glasgow, G2 1AL. Gillian's e-mail address is [gillian.rodgers@mercer.com](mailto:gillian.rodgers@mercer.com).

A list of documents which provide further information is shown below. If you want us to send you a copy of any of these documents please let us know. We will continue to send you a Summary Funding Statement each year, so if you have already left the Company and changed address you should advise Mr Lawrence or Ms Rodgers in writing so that we can update our records.

**Scheme Website** – <http://www.mercerbelong.com/client/AVXPensionScheme/>

We would like to take this opportunity to remind you again of the website that we have set up to provide you with a central point with online access to information regarding your Scheme.

The website contains the following:

- The Trustees and their contact details;
- Explanatory booklets for the Scheme;
- Trust Deed and Rules;
- Annual audited Trustees' Report and Accounts;
- Your contact at Mercer Limited, the advisors to the AVX Pension Scheme;
- Information on the Scheme's financial position and contributions being paid by the Company.
- Current news
- The Trustees' short form report and accounts for members.

**The Trustees of the AVX Limited Pension Scheme  
January 2014**

## **Additional documents available on request**

### **The Statement of Investment Principles**

This explains how we (the Trustees) invest the money paid into the Scheme.

### **The Statement of Funding Principles**

This explains how we (the Trustees) plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

### **The Schedule of Contributions**

This shows how much money is being paid into the Scheme by the Company and the contributing members, and includes a certificate from the Actuary showing that it is sufficient.

### **The Annual Report and Accounts of the AVX Limited Pension Scheme**

This shows the Scheme's income and expenditure in the last Scheme year.

### **The Formal Actuarial Valuation Report as at 5 April 2012**

This contains the details of the Actuary's check of the Scheme's situation as at 5 April 2012.

### **The Scheme's Explanatory Booklet**

This is the members' handbook for the Scheme. You will have been given a copy when you joined.