

July 2010

AVX Limited Pension Scheme

Actuarial valuation as at:

5 April 2009

MERCER



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Summary

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An actuarial valuation of the AVX Limited Pension Scheme has been carried out as at 5 April 2009.

The key conclusions from the valuation are:

- The Scheme showed a deficit of £25.7m at the valuation date based on the assumptions made for calculating its technical provisions. This measure compares the Scheme's assets with the value of the past service benefits at 5 April 2009. It represents a funding level of 60% relative to the Scheme's funding target.
- An update of the funding position to 31 December 2009 on a consistent basis to that used to determine the technical provisions as at 5 April 2009 showed a reduced deficit of £17.3M.
- Following the valuation date, the Scheme's active contributing membership reduced substantially after the closure of the manufacturing site at Paignton.
- The Employer (AVX Limited) and Trustees have agreed to target elimination of the updated deficit as at 31 December over a recovery period ending on 31 December 2014. The agreed recovery plan contributions are £350K which commenced on 1 April 2010, backdated to 1 January 2010.
- Based on the assumptions set out in the Statement of Funding Principles for assessing the cost of accrual, the cost to the Employer of the benefits accruing for future service in respect of the remaining active members following the closure of Paignton was 24.4% pa of Pensionable Pay / Scheme Salary.
- The average contribution rate payable by the remaining active members was 11.8% pa of Pensionable Pay / Scheme Salary, with the balance of the cost of future benefit accrual at 12.6% of Pensionable Pay / Scheme Salary payable by the Employer.

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- If the Scheme had been discontinued at the valuation date, there would have been insufficient scheme assets to buy out all the benefits with an insurance company. The estimated wind-up funding level at the valuation date was 47.6% with a shortfall of £42.1m.
- The Employer and the Trustees have agreed that the Employer will contribute as follows:
 - 10.6% pa of members' Pensionable Pay up to 1 April 2010
 - 12.6% pa of members' Pensionable Pay from 1 April 2010, plus
 - £350K per month to target elimination of the deficit from 1 April 2010, backdated to 1 January 2010.
 - No additional contributions are required from the Employer to meet Scheme expenses (including the PPF levy) or lump sum death benefit insurance since allowance for these is included in the above recovery plan contributions. Member contributions (including any additional voluntary contributions) are payable in addition to the above rates, at the rates set out in the Scheme Rules.
 - Contributions will generally be paid monthly in arrears with each payment due by the 19th of each month. The PPF levy will be paid annually as required.
- If the assumptions made for assessing the recovery plan are borne out in practice, these contributions will eliminate the updated shortfall to 31 December 2010 of £17.3m against the technical provisions by December 2014 and will improve the wind-up funding position of the Scheme.
- These contributions are set out in the Schedule of Contributions and Recovery Plan enclosed as appendices.
- The Recovery Plan, the Schedule of Contributions and a summary of the valuation will be submitted to the Pensions Regulator.
- AVX Corporation, the US parent company of AVX Limited, has agreed to provide a guarantee to the Trustees in relation to the Employer's contributions to the Scheme. This strengthens the Employer Covenant to the Scheme.
- The Trustees and Employer have agreed to adjust their investment strategy from 50% in equities and 50% in bonds to 45% in equities and 55% in bonds. This is consistent with the Trustees' incremental approach to de-risking their investment strategy. It recognises the Scheme's maturing liability profile but also takes into account the strength of the Employer Covenant to the Scheme which the Trustees consider to be good. This view of the Employer Covenant is based on a combination of AVX Limited's current financial strength along with the above funding guarantee from AVX Corporation.

Signature

Paul McCarron

Scheme Actuary

Paul McCarron

Date of signing

5 July 2010

Qualification

Fellow of the Institute of Actuaries

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This report is addressed to the Trustees and has been prepared in accordance with the version of the Board for Actuarial Standards' *Guidance Note 9: Funding Defined Benefits – Presentation of Actuarial Advice* current at the date this report is signed. Technical Actuarial Standard R : Reporting Actuarial Information, issued by the Board for Actuarial Standards, applies to this report and the report complies with its requirements, where relevant.

The calculations in the report use methods and assumptions appropriate for reviewing the financial position of the Scheme and determining the appropriate contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor does Mercer accept liability to the Trustees if the advice is used for any purpose other than that stated (for example for company accounting or corporate mergers/acquisitions).

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1

Introduction

- 1.1 This report sets out the results of the actuarial valuation of the AVX Limited Pension Scheme (“the Scheme”) as at 5 April 2009.

Purpose of the valuation

- 1.2 The primary aims of the valuation are to review the financial position of the Scheme and to determine appropriate Employer contributions to the Scheme for the future. In particular, the valuation aims to:
- Assess the Scheme’s funding position relative to the statutory funding objective.
 - Assess whether the Scheme would have sufficient resources were it to discontinue.
 - Determine the appropriate future level of Employer contributions, taking the above into account.
- 1.3 Under the provisions of the Trust Deed and Rules Employer contributions are determined by the Scheme Actuary on a basis agreed by the Trustees and the Principal Employer. In accordance with the Pensions Act 2004, the Trustees and Employer have agreed on the funding policy, assumptions, Statement of Funding Principles, Recovery Plan and Schedule of Contributions.
- 1.4 The valuation has been carried out on the instruction of the Trustees, and in accordance with Rule 3(c) of the Definitive Trust Deed and Rules and Section 224 of the Pensions Act 2004.
- 1.5 The previous actuarial valuation of the AVX Limited Pension Scheme was carried out as at 5 April 2006 by myself.

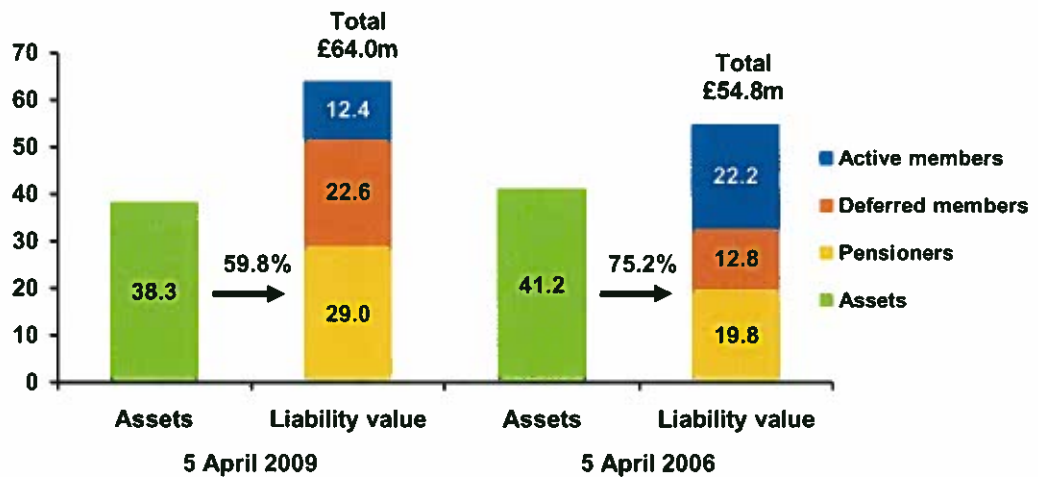
Funding objective

- 1.6 The Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 require schemes to adopt the statutory funding objective – to have sufficient and appropriate assets to cover their “technical provisions”. The technical provisions are an estimate of the assets needed to make provision for benefits already accrued under a scheme.
- 1.7 The Trustees have decided on a funding objective, and agreed it with the Employer. This is set out in the Statement of Funding Principles, enclosed as Appendix E.
- 1.8 In summary, the agreed funding objective is to reach (within a further 5 years from 1 January 2010), and then maintain, assets equal to the technical provisions, assessed on an ongoing basis allowing for future salary increases for active members.
- 1.9 Under legislation, the assumptions underlying the technical provisions are set by the Trustees with the agreement of the Employer. The assumptions include margins for prudence that the Trustees consider appropriate given the Employer’s willingness and ability to support the Scheme (the “employer covenant”). I have provided advice to the Trustees on margins for prudence.



Funding results – technical provisions

2.1 The market value of the Scheme’s assets at the valuation date is compared with the Scheme’s technical provisions below. The funding position at the previous valuation is shown for comparison.



2.2 The shortfall against the technical provisions at the valuation date was £25.7m. This represents a funding level of 59.8% relative to the technical provisions.

2.3 The technical provisions are not the same as the cost of securing the benefits on a wind-up. The wind-up position is described in Section 5.

Analysis of change in funding position

- 2.4 The key factors influencing the change in the deficit since the previous valuation are shown below:

Analysis of movement in deficit	£m
Deficit at 5 April 2006	(13.6)
Interest on deficit	(2.4)
Lower than expected investment returns	(11.8)
Employer contributions in excess of cost of benefit accrual	7.0
Miscellaneous/membership movements	(0.6)
Change in underlying valuation assumptions	(4.3)
Deficit at 5 April 2009 against technical provisions	(25.7)

- 2.5 The above analysis highlights a number of material developments affecting the scheme since the previous valuation:

- the investment performance over the inter-valuation period has been worse than expected and this has contributed a negative £11.8M to the Scheme's funding position.
- additional employer contributions since the previous valuation have reduced the deficit by £7.0M.

**3**

Funding results – contribution requirements

- 3.1 The contributions payable by the Employer have been agreed and details are set out in the Recovery Plan (Appendix F) and the Schedule of Contributions (Appendix G).
- 3.2 These contributions are made up of the following elements:
- A contribution to cover the cost of all future service accrual (plus life assurance cover) over the period to retirement.
 - An adjustment to address the shortfall against the technical provisions incorporating an allowance for the Scheme's expenses and levies.

Normal contribution

- 3.3 The table below shows the first of these elements. This cost is calculated as the value of benefits expected to accrue to the membership in respect of all future service to retirement or earlier date of leaving based on projected salaries. To this are added allowances for life assurance premiums. The figures are expressed as percentages of Pensionable Pay / Scheme Salary and apply for the period to the next formal actuarial valuation.

	% of Pensionable Pay / Scheme Salary	
	5 April 2009	5 April 2006 ⁽¹⁾
Pension benefits	21.6	14.8
Insured death benefits	2.8	1.7
Expenses and PPF premiums ⁽²⁾	0.0	1.9
Total	24.4	18.4
Less members' contributions	(11.8)	(8.0)
Employer's normal contribution	12.6	10.4

Notes:

- (1) The 2006 rate relates to the cost of the 1/80th accrual rate option and was calculated before the mix between 1/80th and 1/60th accrual rates was known following the exercise to give members the choice between these two accrual rates and corresponding contribution rates. Those members who elected to remain on 1/60th paid an extra 5% pa of Pensionable Pay / Scheme Salary. The 2009 rate is a composite rate based on the actual profile of member accrual rates.
- (2) The allowance for expenses and PPF premiums following the 2009 valuation is incorporated into the recover plan, given the larger reduction in Pensionable Pay / Scheme Salary as a result of the closure of the Paignton site.

Contributions to address shortfall

- 3.4 The Recovery Plan and the Schedule of Contributions set out the overall contribution rates agreed, including those to meet the updated shortfall against the Scheme's technical provisions as at 31 December 2009 over the recovery period of 5 years. Details of the timing and frequency of contributions are given, together with the date on which the revised contributions commence.
- 3.5 The contributions agreed for the period to the next formal actuarial valuation include the following amounts towards the shortfall against the Scheme's technical provisions:
- A monthly payment of £350K commencing on 1 April 2010, backdated to 1 January 2010 and payable for the next five years (ie, to 31 December 2014) by AVX Limited, in order to address the shortfall against the Scheme's Technical Provisions of £17.3M at 31 December 2009.
- 3.6 Over the longer term (i.e. beyond the next formal actuarial valuation) and on the assumptions set out in the statement of funding principles, the contributions required to meet the Scheme's funding objective are as follows:
- 12.6% pa of Pensionable Pay / Scheme Salary

Limitations on advice

3.7 I have drawn the Trustees' attention to the issues they should consider when setting the Recovery Plan and contribution rate under paragraphs 75, 79 and 102 of the Pensions Regulator's Code of Practice No. 3 (Funding defined benefits). I have not provided advice on the following matters:

- The Employer's business plans and the likely effect any potential recovery plan would have on the future viability of the Employer.
- The Scheme's membership profile. A longer recovery period may be more appropriate in a scheme where most members have many years to go before retirement than in one where the great majority are already in receipt of a pension.
- The ability of the Trustees to pursue an employer to make good a deficiency in the event of a scheme wind-up.

4

Method and assumptions

Funding method

- 4.1 The funding method adopted is known as the Attained Age method. This is described in the Statement of Funding Principles enclosed as Appendix E. The same method was used at the previous valuation.
- 4.2 The Attained Age method will produce a stable normal contribution rate (as a percentage of Pensionable Pay), provided the current active membership ages as anticipated.
- 4.3 The Attained Age method is particularly suitable for closed Schemes where the membership is ageing. The AVX Limited Pension Scheme has been closed to new entrants since April 1997.

Assumptions

- 4.4 The financial and demographic assumptions used to assess the technical provisions, the normal contribution and the Recovery Plan are set out in the Statement of Funding Principles (Appendix E).
- 4.5 The table below sets out a summary of the market yields at the valuation date, together with the yields at the date of the previous valuation:

	5 April 2009	5 April 2006
Long-dated gilt yield	4.23%	4.3%
Long-dated index-linked gilt yield	1.05%	1.3%
Market expectation for inflation (long-term)	3.3%	2.9%

4.6 The assumptions to which the valuation results are particularly sensitive are shown below. A number of changes have been made to the assumptions used, compared with the previous valuation, and these are highlighted below.

	2009 technical provisions	2006 funding valuation
Investment return		
Pre-retirement	6.25% p.a.	6.25% p.a.
Post-retirement	4.25% p.a.	4.25% p.a.
Price inflation (RPI)	3.3% p.a.	2.9% p.a.
Salary increases	4.3% p.a.	3.9% p.a.
Pension increases in payment		
Inflation capped at 5%	3.2% p.a.	2.9% p.a.
Inflation capped at 2.5%	2.4% p.a.	2.5% p.a.
Inflation capped at 3.0%	2.9% p.a.	2.9% p.a.

Demographic	2009	2006
Retirement	All at age 65	All at age 65
Mortality – base table	S1 tables using year of birth	PA92 tables using year of birth and adjusted by 2 years to reflect the membership profile of the Scheme
Mortality – future improvements		
Males	Medium cohort projections with 1.0% minimum improvement per annum starting from 2003	Medium cohort projections
Females	Medium cohort projections with 1% minimum improvement per annum starting from 2003	Medium cohort projections
Commutation	25% of pension at retirement	25% of pension at retirement

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the technical provisions.

- 4.7 As an illustration of the mortality rates assumed, the further life expectancies at 65 for males currently aged 45 and 65 are shown below:

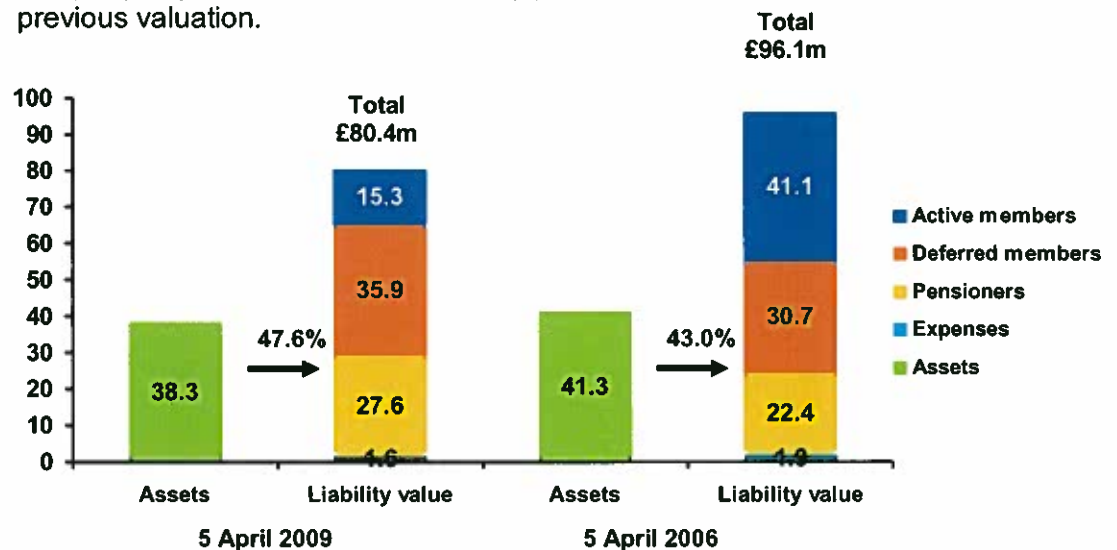
Non-retired member (age 45 currently)	S1 (YOB) MC Floor of 1%	PA92 MC (YOB) + 2 years
	21.8 years	21.3 years
Retired member (age 65 currently)	S1 (YOB) MC Floor of 10%	PA92 MC (YOB) + 2 years
	20.6 years	20.3 years

- 4.8 The basis of valuing the assets (market value) is consistent with that of valuing the liabilities.



Wind-up funding results

- 5.1 The wind-up funding level of the Scheme at the valuation date has been estimated as 47.6%. This has improved from 43.0% since the previous valuation. The main reasons for the improvement are the additional contributions paid by the Employer. This has been further improved by the reduction in insurance company buy-out costs, albeit offset by poor investment returns since the previous valuation.



- 5.2 Had the statutory funding objective been exactly met on the valuation date (i.e. assets equal to technical provisions), the wind-up funding level would have been 79.6%.
- 5.3 As the Scheme is less than 100% funded on the wind-up basis at 5 April 2009, not all members could have received their full benefits from the assets had the Scheme wound up on that date.
- 5.4 If the Scheme had been wound up on the valuation date, the priority order currently applicable would have had the following approximate impact on the different categories of benefit.

Benefit category	Coverage of benefits
Benefits up to level covered by PPF	64%
Any other benefits above those covered by PPF	0%

- 5.5 There is now a liability on employers on wind-up of a scheme based on the cost of meeting benefits in full. The estimated shortfall at the valuation date amounted to £42.1m.
- 5.6 The above measures look at the Scheme's funding on the assumption that it had been discontinued on the valuation date and the benefits bought out with an insurance company.
- 5.7 In doing this, it is assumed that no further benefits accrue, no further contributions are paid and active members are entitled to benefits on the basis they had left service on the valuation date. There is no allowance for any discretionary benefits being paid in the future.
- 5.8 Given the Trustees' current investment policy, the wind-up position on a given date may be significantly different from the position estimated at the valuation date.
- 5.9 The funding level is only an estimate since it is not based on an actual quotation. The true position could only be established by completing a buy-out.
- 5.10 The assessments above have been carried out using experience of recent buy-out quotations and understanding of the factors affecting this market. A detailed analysis of the reserves that would need to be held has not been carried out. Consideration has been given to the market terms for the financial instruments in which providers would be expected to invest, and an approximate allowance has been made for the reserves a provider would maintain to cover the risks involved and the statutory reserving requirements. These results are, therefore, only a guide to the wind-up position and should not be taken as a quotation. Market changes, both in interest rates and in supply and demand for buy-out business, mean that if a buy-out ultimately proceeds, actual quotations may differ. The assumptions used are as follows:

Financial	
Discount rate	
Non-pensioners – pre retirement	4.25% p.a.
Non-pensioners – post retirement	4.5% p.a.
Pensioners	4.5% p.a.
Pension increases	
Inflation capped at 5%	3.6% p.a.
Inflation capped at 2.5%	2.4% p.a.
Inflation capped at 3.0%	2.7% p.a.

Demographic	
Retirement	All at age 65 with adjustments for late payment as appropriate
Mortality – base table	S1 tables using year of birth
Mortality – future improvements	
Males	Medium cohort projections with 1.5% minimum improvement per annum starting from 2003
Females	Medium cohort projections with 1% minimum improvement per annum starting from 2003
Proportion married	90% of males, 75% of females
Spouse's age	Husbands 3 years older than wives

- 5.11 An allowance at 2% total liabilities has been made to allow for expenses of winding up the Scheme.
- 5.12 If the assumptions used for the Recovery Plan are borne out over the next three years, the agreed contributions are paid and there are no changes to the wind-up assumptions, the wind-up funding level at the next formal actuarial valuation (as at 5 April 2010) is estimated to be 65%. It is expected that the proportion of benefits in each priority class will have changed to the figures shown below.

Benefit category	Coverage of benefits
Benefits up to level covered by PPF	75%
Any other benefits above those covered by PPF	0%

6**Pension Protection Fund (PPF)**

- 6.1 If the Scheme winds up when the Employer is insolvent, it may be eligible for the PPF. The Scheme's assets and liabilities would only transfer to the PPF if the assets were insufficient to buy out the benefits provided by the PPF.
- 6.2 The benefits that the PPF could provide would be broadly 100% of pension for members over pension age and 90% of a capped amount of pension for members under pension age. Under the current PPF provisions:
- Pensions in payment will be increased annually, at the lower of 2.5% and the change in the retail prices index (RPI), in respect of service after 5 April 1997 only. Pensions accrued before April 1997 are not increased.
 - All deferred pensions will be revalued over the period to retirement in line with the increase in the RPI over the same period, or 5% per annum if less.
 - Spouses' pensions will be 50% of members' PPF benefits.
 - The pensions of members aged less than their scheme's normal pension age when the scheme enters the PPF will be capped. The cap depends on the member's age and will increase in line with earnings. For example, in 2009/10 the cap is £31,936 at age 65 so that the maximum amount of compensation for members retiring at age 65 will be 90% of this, i.e. £28,742.
- 6.3 Based on the PPF benefits, and the financial and demographic assumptions prescribed by the PPF, the Scheme is estimated to be 61% funded at the valuation date.
- 6.4 In this case, had an insolvency event occurred (and no employer debt payment been recovered), it is likely that the PPF would have been required to assume responsibility for the Scheme.

PPF levy valuation

- 6.5 The calculations referred to above relate to the possible entry of the scheme into the PPF and are not necessarily the same as those on which the PPF levy is based. A separate report has been prepared covering the position of the Scheme as at 5 April 2009 on the statutory PPF basis used to determine the level of the levy (known as a section 179 valuation). The funding position of the Scheme on the statutory PPF basis used to determine the level of the levy (known as a section 179 valuation) is detailed in Appendix D.

7

Variability and risks

- 7.1 The Employer contributions set out in the Recovery Plan and Schedule of Contributions are based on the valuation results set out in sections 3 and 4 of this report. These in turn depend on the financial and demographic assumptions set out in the Statement of Funding Principles.
- 7.2 It is likely, especially in the short term, that these assumptions will not be borne out in practice. It is therefore important to consider the potential impact on the funding position and the Employer contribution rate of actual experience differing from what has been assumed.

Sensitivity to key assumptions

- 7.3 Investment return, inflation, salary increase and life expectancy assumptions impact significantly on both the funding position and the cost of the benefits accruing over the year.
- 7.4 The following table illustrates the sensitivity to variations in these key assumptions over the long term. The starting points are the technical provisions of £64.0M shown in section 2.1. Each row of the table considers one change in isolation, with all other assumptions being unaltered. An equivalent change in the assumption in the opposite direction would decrease the liability value by the same amount.

Change in assumption	Increase in technical provisions at 5 April 2009 £m
Pre-retirement discount rate reduced by 0.25% p.a.	1.2
Post-retirement discount rate return reduced by 0.25% p.a.	2.0
Price inflation and salary growth increased by 0.25% p.a.	1.7
Life expectancy increased by one year	1.7

Value at risk

- 7.5 If the valuation assumptions are borne out in practice and the Employer pays £2.8m in respect of the recovery plan, the deficit one year after the valuation date is expected to reduce to £24.2m. However, if experience differs from that assumed, the position could be very different.
- 7.6 One way of understanding the risk associated with a pension scheme is to consider a “value at risk” (VaR) analysis. This measures the financial impact of a possible adverse change in various risk factors (such as interest rates) and is a way of measuring different risks so that they can be compared and prioritised, allowing the Trustees to focus on the most relevant.
- 7.7 An indicative total value at risk for the Scheme has been estimated at £14.1m. This means there is a 1-in-20 chance that the deficit will increase by *more than* £14.1m over the year following the valuation date, so that the shortfall will be at least £38.3m by 5 April 2010 (the shaded row in the table below). This analysis should be considered as no more than a range-finding exercise to give the Trustees an indication of the order of magnitude of Scheme’s risk.
- 7.8 The table below shows, for a number of different probabilities, the value at risk and the effect on the projected deficit one year after the valuation date.

Percentile	Value at risk £m	Funding position at 5 April 2010
95th (1 in 20)	-14.1	at least £38.3m shortfall
75th	-5.8	at least £30.0m shortfall
50th	-	at least £24.2m shortfall
25th	5.8	at least £18.4m shortfall
5th (19 in 20)	14.1	at least £10.1m shortfall

7.9 To put the above into context, the table below illustrates how the funding position at the valuation date would vary for given movements in gilt yields and equity markets.

Change in equity values	Change in gilt yields		
	-1% p.a.	No change	+1% p.a.
-20%	-41.6m	-28.6m	-18.3m
No change	-37.2m	-24.2m	-13.9m
+20%	-32.8m	-19.8m	-9.5m

7.10 The discussion above focuses on financial risks. In reality the total value at risk is a combination from different risk factors, including:

- Equity risk. This obviously affects the value of the assets, and will be a significant component of the total risk for a scheme with a high allocation of equities.
- Interest rate and inflation risk. Interest rates affect both the actual value of the bond assets and the value of the technical provisions. For schemes with a lower proportion of equities, this risk is likely to dominate.
- Longevity risk. This will affect the value of the technical provisions and can arise because either or both of the starting point (the base table) or the future improvements are "incorrect". This is likely to be a more significant proportion of the total risk for less mature schemes and those with low investment risk.

7.11 Given the asset allocation and maturity of the Scheme, interest rate and inflation is likely to be the most significant component.

Risks that the statutory funding objective will not be met

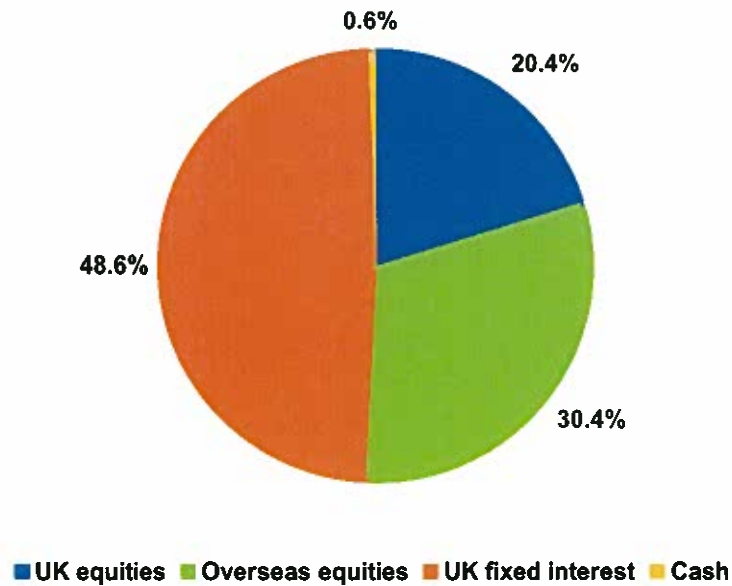
7.12 The Trustees' policy for meeting the Scheme's statutory funding objective carries a number of risks outside the Trustees' control. The following paragraphs comment on some potentially material risks.

- 7.13 If the Employer becomes unable to pay contributions or to make good deficits in the future, the Scheme's assets will be lower than expected and the funding level will be worse than expected. If the reason for the Employer not paying the agreed contributions is one of financial difficulties, the Trustees' focus would switch to the results on the wind-up basis, as set out in section 5.
- 7.14 The above risk is to be partly mitigated by an undertaking from AVX Corp, the US parent Company of AVX Limited, to put in place a legally enforceable funding guarantee. AVX Corp intends to commit to ensuring that AVX Limited has sufficient funds to meet its contribution requirements to the Scheme in future, both on an ongoing and hypothetical wind-up situation.
- 7.15 If the future investment return on assets falls short of the rates assumed in the calculation of the technical provisions and the recovery plan, the wind-up position of the Scheme will be worse than expected. It is likely that an increase in future Employer contributions will be required (there is little scope for the Employer to reduce costs by reducing the value of future benefits being built in).
- 7.16 If gilt yields change such that the liability values increase by more (or decrease by less) than the assets, the funding position against the technical provisions and on the wind-up basis will be worse than expected. An increase in Employer contributions will be expected as a result. A quantitative illustration of such a change was shown by the sensitivity analyses in paragraph 7.4.
- 7.17 The above investment and interest rate risks in 7.15 and 7.16 will be partly mitigated by a further adjustment to the Scheme's asset allocation strategy. This will be rebalanced over the next year or so from 50% equities/50% bonds to 45% equities/55% bonds.
- 7.18 If improvements in mortality are faster than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding position against the technical provisions and on the wind-up basis will be worse than expected, and an increase in Employer contributions will be expected as a result. A quantitative illustration of such a change was shown by the sensitivity analyses in paragraph 7.4.
- 7.19 The current valuation has considered this risk by updating the longevity assumptions with a 1% pa underpin in long term improvements in mortality rates.



Assets and financial transactions

- A.1 The market value of the Scheme’s assets (excluding additional voluntary contributions (AVCs) which are separately invested) was £38.3M on the valuation date.
- A.2 The distribution of the assets by asset class is shown below:



- A.3 During the inter-valuation period, the investment return has been -4.0% per annum.
- A.4 The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the accounts for the Scheme.

- A.5 Following the previous valuation it was agreed that the Employer would pay a contribution of 10.4% of Pensionable Pay to the Scheme and an additional payment of £198K each month. Members' contributions, AVCs and the expenses of administering the Scheme were payable in addition. The audited accounts confirm that contributions have been paid at this rates.
- A.6 The Trustees hold a group life insurance policy with General and Unum Provident which insures the lump sum benefit payable on death-in-service.
- A.7 The detailed asset information is shown below:

Market value at valuation date	£000s
Bonds	18,615
Equities:	
UK	7,805
Overseas	11,649
Cash/Other	253
Total	38,322

Appendix B

Benefits

- B.1 The benefits valued are as set out in the Trust Deed and Rules dated 20 September 1991 plus supplemental deeds.

Paignton Section

The benefits that applied to members in service at the valuation date are described below.

- B.2 **Definitions**

Normal Pension Date: 65th birthday.

Pensionable Service: The number of continuous years and months of service from the date of joining the Scheme, rounded to the nearest month.

Pensionable Pay: Basic annual shift salary.

Final Pensionable Pay: The higher of:

The yearly average of Pensionable Pay over the two years prior to normal retirement age or date of leaving service if earlier, and

The yearly average of Pensionable Pay in the best two consecutive years in the last 10 years.

- B.3 **Eligibility**

The Scheme has been closed to new entrants since April 1997.

B.4 Benefits at Normal Pension Date

On retirement at Normal Pension Date, a member will receive an annual pension of 1/60th of Final Pensionable Pay for each year of Pensionable Service, with completed months of Pensionable Service counted proportionately.

From 1 July 2007, members have a choice between a 1/60th and a 1/80th accrual rate.

B.5 Early/Late retirement

A member may retire before or after his Normal Pension Date, with a correspondingly reduced or increased pension respectively. On early retirement at Company request, the accrued pension is reduced by 3% for each year where retirement precedes age 65.

B.6 Retirement lump sum

A member may exchange part of his pension on retirement for a lump sum of up to the maximum allowable under the post A-Day rules, ie, 25% of the value of their total benefit on retirement.

The rate at which pensions can be exchanged for cash is 9 for both males and females at 65 for each £1 of annual pension given up.

B.7 Lump sum on Death in Service

On death in service prior to Normal Pension Date the following benefits are payable:

- a) a lump sum equal to four times Pensionable Pay at the date of death.
- b) a refund of the member's contributions.
- c) a spouse's pension equal to 30% of Pensionable Pay at date of death, less, where applicable, one half of any personal state basic pension to which the spouse would be entitled. This pension is also payable to common law spouses at the Trustees' discretion.
- d) there are also provisions for children's pensions.

B.8 Death After Retirement

On death after retirement the following benefits are payable:

- a) a lump sum equal to four times monthly pension after any cash commutation.
- b) a spouse's pension (including common law spouse's) equal to 50% of the member's pension before any cash commutation.

B.9 Benefits available on leaving service

- a) The leaving service preserved pension will be calculated in the same way as normal retirement pension, but will be based on Pensionable Service to and Final Pensionable Pay at the date of leaving.

The Guaranteed Minimum Pension included in the above will be revalued in accordance with statutory requirements to State Pension Age.

The preserved pension in excess of GMP will be increased at the lower of the rise in the Retail Prices Index or 5% p.a. for each complete year between the date of leaving and Normal Pension Date.

- b) A spouse's death after retirement pension will be payable on a basis similar to that described previously.
- c) On death before retirement a spouse's pension equal to one half of the member's preserved pension, including any increases made to the date of the member's death, is payable.
- d) As an alternative to a deferred pension, members can request the Trustees to make a transfer of the value of the deferred benefits to another registered Scheme or suitable insurance policy.

B.10 Member's contributions

With effect from 1 July 2007, members have a choice between an 8% or a 13% contribution rate, depending upon their future pension accrual rate reducing to 1/80th or the member electing to retain it at 1/60th.

B.11 Pension increases

Pensions accrued prior to 6 April 1997, excluding GMP accrued prior to 6 April 1988, are guaranteed to increase at 3% per annum compound or the increase in the retail prices index if less. GMPs increase in payment at the statutory rate.

Pensions accruing after 5 April 1997 increase in payment at the rate of 5% per annum or the increase in the retail prices index, if less.

Pensions accruing after 5 April 2006 increase in payment at the rate of 2.5% p.a. or the increase in the Retail Prices Index (RPI) if less.

Varelco Section

The benefits that applied to active members at the valuation date are described below.

B.12 Definitions

Normal Pension Date:	65 th birthday.
Scheme Service:	The number of complete years and months of service as a contributing member of this scheme, or of the Cambridge Electronics Industries Pension Fund before 1 April 1991.
Scheme Salary:	Annual rate of Basic Salary at 6 April each year less 1.2 times the Basic State Pension.
Final Scheme Salary:	Scheme Salary on 6 April prior to retirement, leaving the scheme or death.

B.13 Eligibility

The Scheme has been closed to new entrants since April 1997.

B.14 Benefits at Normal Pension Date

On retirement at Normal Pension Date, a member receives an annual pension amounting to 1/60th of Final Scheme Salary for each year of Scheme Service, and in proportion for each month of Scheme Service up to a maximum of 40 years.

From 1 July 2007, members have a choice between a 1/60th and 1/80th accrual rate.

B.15 Early retirement

A member may retire early with the Employer's consent between ages 50 and 65, or at any time on account of ill health.

The early retirement pension will be calculated as for normal retirement, but based on Pensionable Service up to the date of early retirement. The pension will then be reduced by 4% for each year by which the age at retirement precedes 60. Pension for early retirement from age 60 onwards will not be reduced for early retirement.

If early retirement is due to ill health, the pension is calculated using Pensionable Service completed to the date of early retirement plus, at the Trustees' discretion for cases of serious ill-health, future service to Normal Pension Date. There is no reduction for early payment.

B.16 Late retirement

With the Company's consent a member may remain in service after Normal Pension Date, with the pension payable on late retirement being increased to reflect the shorter anticipated period of payment.

B.17 Retirement lump sum

A member may exchange part of his pension on retirement for a lump sum of up to the maximum allowable under the post A-Day rules, ie, 25% of the value of their total benefits on retirement.

The amount by which the pension is reduced will vary depending on age at retirement.

B.18 Benefits payable on death after retirement

On death after retirement, the following benefits are payable:

- a) if death occurs within five years after retirement, the pension continues to be paid to the member's widow(er) or dependants for the remainder of the five year period.
- b) a spouse's pension of 55% of the member's pension before any commutation under B.17.
- c) Children's pensions of 20% of the spouse's pension for a maximum of 4 children. These are doubled if no spouse's pension is payable.

B.19 Benefits payable on death in service

On death in service, the following benefits are payable:

- a) a lump sum of 3 x Basic Annual Salary at date of death
- b) a spouse's pension of 55% of the member's pension calculated as at the date of death
- c) Children's pensions of 20% of the spouse's pension for a maximum of 4 children. These are doubled if no spouse's pension is payable.
- d) A refund of the member's own contributions if there is no spouse or dependants.

B.20 Benefits available on leaving service

- a) Members will be entitled to a preserved pension payable from Normal Pension Date. The preserved pension will be calculated in the same way as a normal retirement pension, but will be based on Scheme Service to and Final Scheme Salary at the date of leaving.

That part of the deferred pension representing the GMP is revalued to State Pension Age at the statutory "fixed" rate (currently 4% p.a.). The balance of the preserved pension will be increased at the lower of the rise in the Retail Prices Index or 5% p.a. for each complete year between the date of leaving and Normal Pension Date.

- b) On death of a married member before retirement, a spouse's pension is payable equal to 55% of the member's deferred pension revalued to the date of death.
- c) As an alternative to a deferred pension, members can request the Trustees to make a transfer of the value of the deferred benefits to another approved Scheme or suitable insurance policy.

B.21 Member's contributions

With effect from 1 July 2007, members have a choice between an 8% or a 13% contribution rate, depending on their pension accrual rate reducing to 1/80^{ths} or the member electing to retain it at 1/60^{ths}.

B.22 Pension increases

Pensions in payment accruing before 5 April 2006 and in excess of any GMP will be increased annually by 5% or the change in the RPI over the previous year, if this is less. Pensions accruing after 5 April 2006 increase in payment at the rate of 2.5% p.a. or the increase in the Retail Price Index, if less. In addition, the Trustees have the power to pay discretionary increases. In particular, when inflation is in excess of 5% p.a. or 2.5% p.a. the broad objective is to use this discretionary power to match 75% of the rise in the RPI. However, the Trustees will take due account of the Scheme's financial position when considering this.

The GMP is increased in payment as required by the Pension Scheme Act 1993.

- B.23 UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). There is still no general agreement on whether this applies to inequalities caused by Guaranteed Minimum Pensions (GMPs) and, if it does, what adjustments have to be made to scheme benefits to correct these inequalities. The valuation makes no allowance for equalisation of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Trustees seek further professional advice if they are concerned about this issue.

Appendix C

Membership data

C.1 The membership data is summarised below, with figures at the previous valuation shown for comparison.

Active members	Valuation date	Previous valuation
Number	92	236
Total Pensionable Salaries (£000s p.a.)	2,193	5,172
Average Pensionable Salary (£ p.a.)	23,839	21,914
Average age service and salary weighted	52.8	50.5

Deferred pensioners	Valuation date	Previous valuation
Number	472	415
Total deferred pensions (£000s p.a. revalued to valuation date)	1,683	1,053
Average deferred pension (£ p.a.)	3,567	2,538
Pension weighted average age	46.8	44.7

Pensioners	Valuation date	Previous valuation
Number	364	297
Total pensions payable (£000s p.a.)	1,682	1,200
Average pension (£ p.a.)	4,620	4,041
Pension weighted average age	67.1	66.7

- C.2 The average Pensionable Salary increase for the Scheme members who were in service for the whole of the inter-valuation period was 1.7% per annum.
- C.3 Pensions in payment were increased as guaranteed under the Scheme Rules.
- C.4 Data in relation to members of the Scheme was provided by the Trustees, via the Scheme's administrator, Mercer, and its accuracy has been relied on. Whilst reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data which is incomplete or inaccurate.

Appendix D

PPF levy – section 179 valuation**Actuarial assumptions**

D.1 The key assumptions used, as specified by the PPF, are as follows:

Investment return:	
in deferment (allowing for revaluation in deferment)	0.76%
for pensions in payment	3.79%
Mortality	Males: PCMA00 mc for year of birth, with a 1% p.a. floor applying from year 2000 Females: PCFA00 mc for year of birth, with a 1% p.a. floor applying from year 2000
Proportions "married"	90% (males) / 80%(females)
Age differences between member and dependant	Female three years younger than male
Children's pensions	Children's pensions already in payment assumed to stop at 18 (or 23 if already over 17) No other allowance


Expenses:

wind-up (% of liabilities)	3% up to £50m; plus 2% between £50m and £100m; plus 1% over £100m
benefit installation/payment	per non-pensioner member: £500 per pensioner (dependent on age): Under 60 £450 60 to 70 £400 70 to 80 £300 80 or over £250

Section 179 valuation certificate

Please read all accompanying notes before completing this certificate

Scheme / Section details	
Full name of scheme:	AVX Limited Pension Scheme
Name of section of applicable:	N/A
Pension Scheme Registration Number	10023435
Address of scheme (or section, where appropriate)	Mercer Limited Clarendon House 23 Clarendon Road Belfast United Kingdom Post code: BT1 3BG
s179 valuation	
Effective date of this valuation (dd/mm/yyyy)	05/04/2009
Guidance and assumptions	
s179 guidance used for this valuation	G5
s179 assumptions used for this valuation	A4
Assets	
Total assets (this figure should not be reduced by the amount of any external liabilities and should include the insurance policies referred to below)	£38,321,522.00
Date of relevant accounts (dd/mm/yyyy)	05/04/2009
Liabilities	
Please tell us liabilities excluding expenses for:	
Active members	£11,557,635.00
Deferred members	£24,934,346.00
Pensioner members	£24,179,972.00
Estimated expenses of winding up	£1,713,439.00
Estimated expense of benefit installation /payment	£414,550
External liabilities	£0
Total protected liabilities	£62,799,942.00

Insured benefits	
Insurance policies and matched liabilities that are required to be included in the section 179 valuation	
Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts	0%
Please provide the percentage of the liabilities shown above that are matched by insured annuity contracts for:	
Active members	0%
Deferred members	0%
Pensioner members	0%
Proportion of liabilities	
Please show the proportion of liabilities which relate to service before 6 April 1997, for:	
Active members	40.0%
Deferred members	51.5%
Pensioner members	74.5%
Average ages	
Please provide the average age (weighted by protected liabilities) as at the effective date of this valuation, for each member type, rounded to the nearest whole year.	
Active members	53
Deferred members	48
Pensioner members	66
I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund. I also certify that the calculated value of the protected liabilities is, in my opinion, unlikely to have been understated.	
Signature	
Name	Paul McCarron
Date	5 July 2010
Qualification	Fellow of the Institute of Actuaries
Employer	Mercer Limited



Statement of Funding Principles



AVX Limited Pension Scheme:

Actuarial valuation as at 5 April 2009

Statement of funding principles

This statement of funding principles sets out the policies of the Trustees of the AVX Limited Pension Scheme ("the Scheme") for securing that the statutory funding objective is met.

It has been prepared by the Trustees to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Paul McCarron the Actuary to the Scheme. It has been taken into account in the actuarial valuation of the Scheme as at the effective date of 5 April 2009, which is the second Statutory Funding Objective valuation of the Scheme.

This statement of funding principles has been agreed by the Principal Employer, AVX Limited ("the Employer"). The Trustees have consulted with the Employer over the content of this statement of funding principles.

The statutory funding objective

The statutory funding objective is that the Scheme has sufficient and appropriate assets to pay its benefits as they fall due (the technical provisions).

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out in the Appendix.

The general principles adopted by the Trustees are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Scheme's solvency position.

In particular, a prudent margin will be included in the discount rate and demographic assumptions will be based on prudent principles. Other assumptions will be based on best estimates of future experience, within the constraint of the basis being prudent overall. However, the Trustees do not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

In determining what is "prudent" the Trustees will take into account their objective assessment of the Employer's covenant.



Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme rules. The Trustees will not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

Rectifying a failure to meet the statutory funding objective

If the assets of the Scheme are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the Employer to meet the shortfall. The Trustees and the Employer have agreed that any such funding shortfalls should be eliminated as quickly as the Employer can reasonably afford.

The Trustees and the Employer have agreed to base the Employer contributions on an update of the Scheme's funding position, which is based on a roll forward of the technical provisions from 5 April 2009 to 31 December 2009, along with the market value of the Scheme's assets at 31 December 2009.

Additional contributions will be expressed as level monetary amounts.

In determining the actual recovery period at any particular valuation, the Trustees will take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employer;
- the Trustees' assessment of the financial covenant of the Employer;
- any contingent security offered by the Employer.

Assuming the assumptions are borne out in practice, the recovery period over which the updated shortfall calculated at 31 December 2009 will be met by end of recovery period which is 5 years.

The assumptions to be used in these calculations are set out in the Appendix.

Calculating the normal cost of the Scheme

Contributions required to meet the cost of benefits accruing by members after the valuation date will be calculated using the method and assumptions set out in the Appendix. These contributions will allow for the profile of the remaining active membership of the Scheme following the closure of the Employer's factory in Paignton, which was completed in February 2010. The profile of the remaining active contributing membership gives rise to a higher contribution rate in respect of future benefit accrual than would have been the case had the Paignton site not closed.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustees will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all members. If the assets are insufficient to provide 100% of benefits on that basis, so that payment of full CETVs would adversely affect the security of the remaining members' benefits, and the Employer is unable or unwilling to provide additional funds, the Trustees will consider reducing CETVs as permitted under legislation.

If, at any other time, the Trustees are of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustees will commission a report from the actuary and will use the above criteria to decide whether, and to what extent, CETVs should be reduced.

Payments to the Employer

If the Scheme is not being wound-up and the assets of the Scheme exceed the Actuary's estimate of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses involved in buying out, the Employer may request a refund of the excess. If the Actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be paid, the Trustees will consider whether a payment would be in the interest of the members, and if so, the Trustees will give notice to the members of the proposal.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation is being carried out as at 5 April 2009 and subsequent valuations will, in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the Scheme's technical provisions and funding level since the previous valuation will be obtained as at 5 April each other year.

The Trustees may call for a full actuarial valuation instead of an actuarial report when, after considering the Actuary's advice, they are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However the Trustees will consult the Employer before doing so.

Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the schedule of contributions and/or recovery plan in a way satisfactory to the Trustees on the advice of the Actuary.

This statement of funding principles, dated March 2010 has been agreed by AVX Limited and the Trustees of the AVX Limited Pension Scheme:

Signed on behalf of AVX Limited



Name

Kert Cummins

Position

Director

Date

March 12, 2010

Signed on behalf of the Trustees of the AVX Limited Pension Scheme



Name

BERT LAWRENCE

Position

CHAIRMAN OF TRUSTEES

Date

17th March 2010

This statement of funding principles, dated March 2010 has been agreed by the Trustees of the AVX Limited Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed



Name

Paul McCarron

Position

Actuary to the AVX Limited Pension Scheme

Date

18th March 2010

Appendix

Method and assumptions used in calculating the technical provisions

Method

The actuarial method to be used in the calculation of the technical provisions is the Attained Age method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Despite the substantial reduction in the Scheme's active membership leading up to the closure of the Employer's factory at Paignton, the technical provisions both as at 5 April 2009 and the update as at 31 December 2009 will continue to allow for projected salary growth as described above. This avoids the alternative of valuing the withdrawing members as preserved pensioners and potentially understating the technical provisions given that most of the withdrawing active membership aged 50 or over became pensioners of the Scheme.

Financial assumptions

Pre-retirement discount rate

A yield based on the gross annualised redemption yield on 20 year UK Government conventional gilt stock plus 2.0% p.a. This addition to the yield reflects the prudent allowance the Trustees have agreed for additional investment returns through their holdings of equities.

Post-retirement discount rate

A yield based on the gross annualised redemption yield on conventional gilt stocks.

Inflation

The inflation assumption will be taken to be the investment market's expectation for inflation as indicated by the difference between yields on conventional and index-linked UK Government bonds (gilts) of appropriate durations. The resulting figure will then be adjusted by the Scheme Actuary, if considered appropriate, to allow for the Government's inflation target along with possible distortions in the gilts market, for example, due to high demand for index linked gilts, implying an artificially high inflation expectation.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined after consulting the Employer, but as a starting point the Trustees will use an assumption of inflation plus 1% p.a. No additional allowance has been made for promotional increases.

Pension increases

Varelco members – Increases to pensions in excess of the Guaranteed Minimum Pension are assumed to be in line with the inflation assumption described above, subject to a cap of 5% pa, with a 0.1% pa deduction to allow for future pension increase exercises where increases are capped at 5%.

Paignton members – Increases to pensions in excess of the Guaranteed Minimum Pension are assumed to be in line with the inflation assumption described above, subject to a cap of 3% pa for pensions accrued prior to 6 April 1997. Inflationary increases are subject to a cap of 5% pa for pensions accrued post 6 April 1997. In both cases, there will be a 0.1% pa deduction from the pension increase assumption to allow for future pension increase exercises where the inflationary increases are capped at 3% or 5% respectively.

Once in payment, all benefit accrual after 6 April 2006 is subject to a cap of 2.5% pa. The increase assumption will be 2.4% pa for this element of pension to allow for the years where price inflation and hence the pension increases are less than 2.5% pa.

Demographic assumptions

Longevity

The longevity assumptions will be based on up-to-date information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity. The mortality tables used are S1NA Year of Birth tables with medium cohort improvements and an underpin of 1.0% for both males and females.

Early retirement

(i) Paignton section members

The assumed proportions of Paignton based active members retiring from service on a slightly enhanced "Company request" basis (applying 3% pa simple reduction factors) are:

Age	Percentage Retiring
55	25%
58	30%
61	25%
65	20%

Very few Paignton members retire on the alternative "own request" cost neutral basis, so this is not allowed for in the valuation.

(ii) Varelco section members

The assumed percentages of Varelco members retiring from service after age 60 with a pension which is not reduced due to early payment are:

Age	Percentage Retiring
62	75%
65	25%

Ill health retirement

Varelco members – No allowance is made for the cost of ill health early retirements as these occur on a cost neutral basis for the Scheme.

Paignton members - these members receive a pension payable immediately, based on prospective pensionable service to age 65, without any reduction being applied due to early payment. Members are assumed to retire due to ill health at the following sample rates:

Age	% retiring per annum
20	0.004
30	0.012
40	0.02
50	0.048
60	0.14

Withdrawals

This assumption relates to those members who leave the Scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

Age	% leaving per annum	
	Males	Females
20	25	25
25	17	30
30	12	21
35	6	9
40	3	3.5
45	1	1.5

Commutation

Members are assumed to commute 25% of their pension for a tax-free cash lump sum on retirement. The commutation factors at age 65 are 9:1 (Paignton section), 10.50:1 (Varelco males) and 12.50:1 (Varelco females).

Proportion married and age difference

It has been assumed that in 90% of male deaths and 75% of female deaths a spouse's/civil partner's/dependant's pension will be payable, and that wives/partners are three years younger, on average, than their husbands/partners.

Expenses

The Scheme's group life insurance premiums will be allowed for within the contribution rate as an annual percentage of Pensionable Pay/Scheme Salary.

A separate allowance will be made within the flat annual recovery plan contributions for the Scheme's administrative expenses and PPF premiums.

Investment and other expenses have been allowed for implicitly in determining the discount rates.

Summary of key assumptions used for calculating technical provisions as at 5 April 2009

Principal actuarial assumptions for valuation as at 5 April 2009	
Discount rate pre-retirement	6.25% p.a.
Discount rate post-retirement	4.25% p.a.
RPI price inflation	3.3% p.a.
Salary increases	4.3% p.a.
Pension increases in payment	
Inflation capped at 3%	2.9% p.a.
Inflation capped at 5%	3.2% p.a.
Inflation capped at 2.5%	2.4% p.a.
Non-retired members' mortality	S1NA (YOB) MC Floor of 1.0%
Retired members' mortality	S1NA (YOB) MC Floor of 1.0%

The updated funding position as at 31 December 2009 was calculated using a set of assumptions which were derived from prevailing market indicators in a consistent way to the above assumptions as at 5 April 2009.

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions.

Method and assumptions used in calculating the cost of future accrual

Method

The actuarial method to be used in the calculation of the cost of future accrual will be the Attained Age method.

Financial assumptions

The cost of future accrual will be calculated using the same assumptions as those used to calculate the technical provisions as at 5 April 2009.



Recovery Plan

AVX Limited Pension Scheme

Actuarial valuation as at 5 April 2009

Recovery plan

This recovery plan has been prepared by the Trustees of the AVX Limited Pension Scheme ("the Trustees") in March 2010 to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of Paul McCarron, the Actuary to the Scheme. It is part of the Trustees' plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Scheme must have sufficient and appropriate assets to cover its technical provisions.

After discussions between the Trustees and AVX Limited, this recovery plan has been agreed by the Employer, AVX Limited.

The recovery plan follows the actuarial valuation of the Scheme as at 5 April 2009, which revealed a shortfall in the assets, when measured against the Scheme's technical provisions, of £25.7m.

AVX Limited and the Trustees agreed, having taken actuarial advice, to base the Employer contributions in respect of the shortfall in funding on the updated position of the Scheme as at 31 December 2009, given the volatility in the financial markets. The shortfall at 31 December 2009 also takes account of the updated market value of the Scheme's assets, along with the updated liability value. The figures are shown below:

	5 April 2009	31 December 2009
Shortfall	£25.7m	£17.3m

It will be reviewed, and may be revised, following the Trustees' next valuation under section 224 of the Pensions Act 2004, or earlier if the Trustees and AVX Limited agree.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, AVX Limited, will pay a contribution of £350K each month from January 2010 to December 2014 inclusive. This recovery plan commences from 1 April 2010 but the Employer has also undertaken to backdate the payment of £350K per month to 1 January 2010. The payments will normally be made monthly, but the Trustees and AVX Limited can agree for payments to be made earlier if appropriate.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 5 years commencing 1 January 2010, which is by December 2014. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the statement of funding principles dated March 2010;
- The return on existing assets and the return on new contributions during the period will be as set out in the statement of funding principles dated March 2010, in the section headed "Method and assumptions used in calculating the technical provisions" (discount rate pre- and post- retirement).

Progress towards the statutory funding objective being met

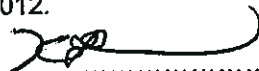
It is expected that 50% of the above additional contributions will be paid in 2.5 years commencing 1 January 2010, which is by 1 July 2012.

Signed on behalf of AVX Limited

Name

Position

Date

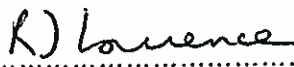

.....
Kurt Cummings
.....
Director
.....
March 12, 2010
.....

Signed on behalf of the Trustees
of the AVX Limited Pension Scheme

Name

Position

Date


.....
BERT LAWRENCE
.....
CHAIRMAN OF TRUSTEES
.....
17th March 2010
.....

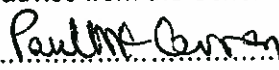
This recovery plan, dated March 2010 has been agreed by the Trustees of the AVX Limited Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed

Name

Position

Date


.....
PAUL MC CARROLL
.....
Actuary to the AVX Limited Pension Scheme
.....
18th March 2010
.....



Schedule of Contributions, Incorporating Actuarial Certificate



AVX Limited Pension Scheme

Schedule of contributions

Status of this document

This schedule has been prepared by the Trustees of the AVX Limited Pension Scheme ("the Scheme") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Paul McCarron, the Actuary to the Scheme appointed by the Trustees.

This document is the 5th schedule of contributions put in place for the Scheme. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustees and the Employer, AVX Limited on 23 February 2010.

The Trustees and AVX Limited have signed this schedule on page 3 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 4.

Contributions to be paid to the Scheme from 1 April 2010 to 31 December 2014

Updated funding position to 31 December 2009

A full valuation was carried out as at 5 April 2009. The Employer and the Trustees subsequently agreed, having taken actuarial advice, to base the Employer contributions in respect of the shortfall in funding on the updated position of the Scheme as at 31 December 2009, given the volatility in the financial markets. The shortfall at 31 December 2009 also takes account of the updated market value of the Scheme's assets, along with the updated liability value. The figures are shown below:

	5 April 2009	31 December 2009
Shortfall	£25.7m	£17.3m



Members' contributions

Active members shall pay contributions monthly on the following basis:

- For those members who chose the default of 1/80th accrual after 1 July 2007 8% of Pensionable Pay/Scheme Salary
- For those members who chose to retain 1/60th accrual after 1 July 2007 13% of Pensionable Pay/Scheme Salary

These contributions will be deducted from salary by AVX Limited and paid towards the Scheme by the 19th of the following month.

This schedule does not cover the Employer's commitment to pay across to the Trustees additional voluntary contributions made by members.

Employer's contributions in respect of future accrual of benefits

AVX Limited will normally pay contributions as set out below but can, where agreed with the Trustees, pay contributions earlier than indicated.

The Employer shall pay contributions no less frequently than monthly, at least on the following basis:

- up to 1 April 2010 10.6% pa of Pensionable Pay/Scheme Salary
- after 1 April 2010 12.6% pa of Pensionable Pay/Scheme Salary

Contributions shall fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the subsequent month.

Employer's contributions in respect of the shortfall in funding

AVX Limited shall pay an additional shortfall-correction contribution in respect of the updated shortfall position as at 31 December 2009, of at least £350K per month from 1 April 2010 to 31 December 2014 inclusive. This Schedule also takes account of the Employer's agreement to backdate the recovery plan contributions of £350K per month to 1 January 2010. The recovery plan contributions are designed to eliminate the updated deficit as at 31 December 2009 over a 5 year period.

As above, these contributions shall normally fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the subsequent month. However, the Trustees and AVX Limited can agree for payments to be made earlier than their due dates if appropriate.

Administration and other costs

The recovery plan contributions of £350K per month incorporate an allowance for the Scheme's administrative expenses, PPF premiums and other levies.

Employer's contributions in respect of benefit augmentations

In addition the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustees.

Pensionable Pay/Scheme Salary


For the purposes of this schedule, Pensionable Pay is defined as the basic annual shift salary, and Scheme Salary as the annual rate of basic salary at 6 April each year, less 1.2 times the Basic State Pension.

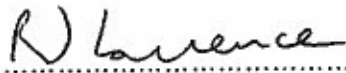
Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustees and AVX Limited no later than 15 months after the effective date of each actuarial valuation, due every three years.

Employer and trustee agreement

This schedule of contributions has been agreed by the Employer and the Trustees of the AVX Limited Pension Scheme on 23 February 2010.

Signed on behalf of AVX Limited 
Name *Kurt Cummings*
Position *Director*
Date of signing *March 12 2010*

Signed on behalf of the Trustees
of the AVX Limited Pension Scheme 
Name *BERT LAWRENCE*
Position *CHAIRMAN OF TRUSTEES*
Date of signing *17th March 2010*

Certification of schedule of contributions

Name of Scheme

AVX Limited Pension Scheme

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 by the end of the period specified in the recovery plan dated March 2010.

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 March 2010.

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

Date of signing

18th March 2010

Name of employer

Mercer Limited

Address

Clarendon House
23 Clarendon Road
Belfast
BT1 3BG

Qualification

Fellow of the Institute of Actuaries



Certificate of Technical Provisions

Name of Scheme

AVX Limited Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 5 April 2009 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 March 2010.

Signature

Paul McCarron

Name

Paul McCarron

Date of signing

5 July 2010.

Address

Clarendon House
23 Clarendon Road
Belfast
BT1 3BG

Qualification

Fellow of the Institute of Actuaries

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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