

SOLVAY

asking more from chemistry®

Members' Report

Rhodia Pension Fund

Rhodia Pension Fund (RPF) Benefit Category

Final Salary Scheme

Money Purchase (MP) Benefit Category

Money Purchase Scheme

2018

Chairman's introduction



Dear Member,

Welcome to this year's edition of the Members' Report.

GENERAL COMMENTS

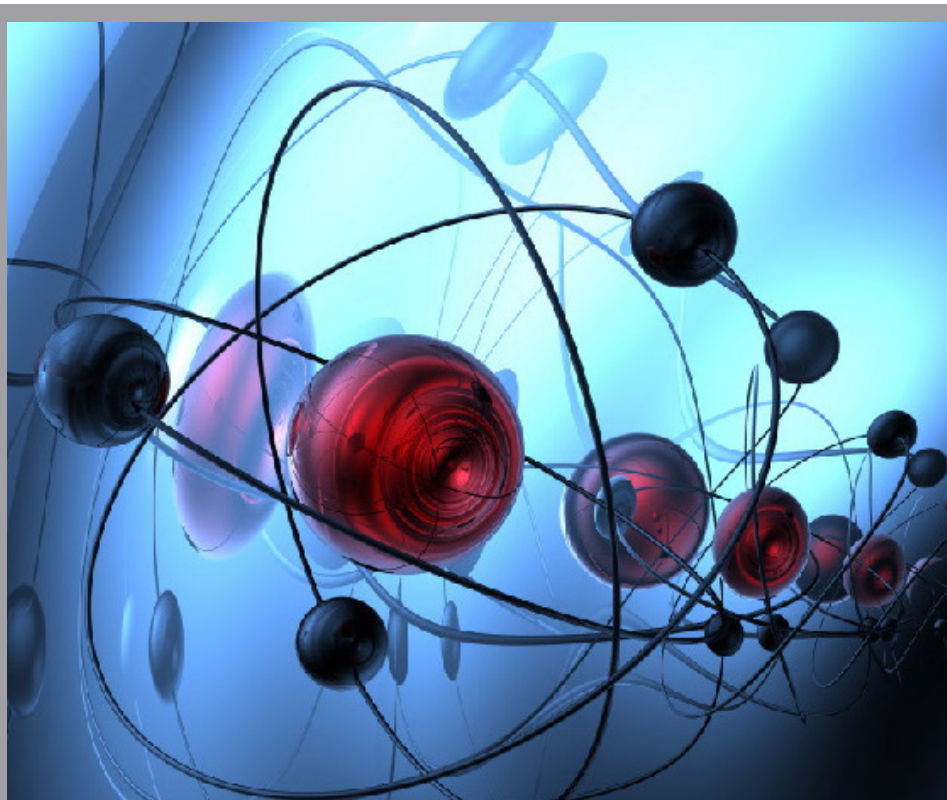
At the risk of repeating myself, the past year has been particularly busy for the Rhodia Pension Fund and I thank both the Pension Team and the Trustee Directors for their support in achieving some very significant milestones.

On the Funding front, the Recovery Plan based on the 1 January 2018 Valuation and agreed with the Company, has been operational since 1 October 2018. Essentially, this Recovery Plan is the Guarantee given by the Company and we continue to work closely with both the UK employer and Solvay SA to ensure that we get the best possible outcome for all members whilst giving maximum stability for the Company.

KEY MESSAGES FOR 2018/2019

The Pension Regulator's 2019 Annual Statement

One of the key messages outlined in the Pension Regulator's Annual Statement is that Pension Funds are expected to develop a Long Term Funding Target (LTFT). Formalising a target and outlining a clearer plan to indicate the journey from the current position, to beyond technical provisions is required. This is an area that will be addressed in the coming year. In particular the Trustee is targeting a level of Funding that will be self-sustaining and therefore less dependent upon Company support.



Contents

Chairman's Introduction 2

Rhodia Pension Fund (RPF) Benefit Category *Final Salary Scheme* 4

Money Purchase (MP) Benefit Category *Money Purchase Scheme* 13

Rhodia Pension Fund – Help and Information 15

Investment

Our investment portfolio has undergone significant changes in the past year – in particular a significant move to Liability Driven Investments (LDI) which has reduced the risk in the portfolio and is sufficiently flexible to enable future de-risking when and if the conditions are right. We continue to review all parts of the portfolio to ensure we are both maximising returns whilst increasing our commitment to Environmental, Social and Governance (ESG) investments. More details are on page 4.

Integrated Risk Management Policy (IRM)

The Trustee has now completed an Integrated Risk Management (IRM) document that is both a risk policy document and an action plan in the case of certain trigger events being breached. This plan covers the following areas of risk to the scheme – Covenant, Members, Investment and Funding – and has been submitted to the Pensions Regulator as a document of record. More details are on page 9.

Covenant

As the Trustee is heavily reliant on the Company to deliver the Recovery Plan we have asked our Covenant Advisors, Ernst and Young, to carry out a monitoring review of Solvay SA twice a year in addition to the full Covenant review during the triennial valuation process. The Trustee receives the monitoring reports in March and September following Solvay SA full and half year results respectively. I am pleased to advise that the Company is able to continue to meet its funding requirements.

Brexit

Finally, like most pension funds, the Trustee has been concerned with any likely impact of Brexit, especially as we are reliant on an EU company as the ultimate sponsor. We have taken a range of advice principally from our legal advisers (CMS). Whilst we can never be 100% certain of the likely outcome we have examined the key risk areas, and believe that these are manageable, however we will keep these risks under regular review until the Brexit issue is finally clarified.

Rhodia Pension Fund Website

As digital communication is becoming increasingly important, the Trustee felt it important to develop a website. The whole membership, including former employees and pensioners can access key communication and important announcements immediately. We hope you find it helpful and user friendly. Further details are on the back page.

Please note that this is the last time that a newsletter in paper format will be posted to Members' home addresses. Future newsletters will be posted on the website. As usual, we would appreciate any feedback on either the Members' Report or website, our contact details are on page 15.

Bob Tyler
Chairman of the Trustee Board



FINANCIAL HIGHLIGHTS FOR 2018

These figures have been taken from the formal Annual Report & Accounts.

As at 31 December 2018, the **RPF Benefit Category's** total asset market value amounted to **£789.68m** (this included AVCs split £0.28m Old Mutual Wealth, £0.71m Equitable Life and £0.48m Clerical Medical. In addition, £4.12m was held in the Internal Fund invested in the main investment portfolio).

1.	Opening Fund Account as at 1 January 2018	£848.62m
2.	Expenditure	£51.44m
3.	Pensions, lump sums and death benefits	£49.82m
	Leavers' payments	£0.19m
	Life assurance	£0.45m
	Administration expenses	£0.98m
4.	Income	£27.52m
5.	Contributions	£25.07m
	Investment income	£2.44m
	Investment expenses	£0.01m
6.	Decrease in market value	(£36.49m)
7.	Closing Fund Account as at 31 December 2018	£788.21m

INVESTMENT STRATEGY

Investment Structure

The Fund's investment structure consists of two asset allocation investment managers, Deutsche Asset Management ("Deutsche") and Natixis Asset Management ("Natixis") who agree a benchmark based on the Trustee's long-term strategy of 50% equities and 50% bonds, and then make asset allocation decisions around that benchmark within specified guidelines using the structure described below. The implemented structure enables each manager to take short-term positions to respond to threats and opportunities. The Fund also holds an investment in the BlackRock Investment Management UK Limited ("BlackRock") UK Strategic Alternative Income Fund ("SAIF") Fund. The SAIF focuses on providing income by investing in infrastructure, real estate and lending directly to companies. It is expected to provide a superior return to traditional bond assets whilst being significantly less volatile than equity investments, helping to meet the Fund's cashflow needs.

As at 31 December 2018, approximately 85% of the Fund's assets were invested passively with Vanguard Asset Management. This means there is a very low risk of underperformance of the funds relative to the markets they are trying to replicate; and investment management fees are low. Approximately 12% of the Fund was being used to implement more opportunistic and tactical views and manage currency risk. This allocation is invested in exchange-traded funds (ETFs), such as iShares, to gain exposure to high yield debt, emerging market debt and commodities; and some is held as cash to support currency contracts that manage the Rhodia Pension Fund's exposure to overseas currency; and equity and bond contracts to take tactical positions in reaction to short-term market opportunities. The remaining 3% of the Fund's assets were invested in the BlackRock SAIF. The target allocation to BlackRock is approximately 5% and this allocation was expected to be fully funded by June 2019, however, investments have been at a slower rate than expected and therefore, it is now expected that the portfolio will be fully funded over 2020.

De-Risking Working Group

Over 2018, the De-Risking Working Group, which has representation from the Trustee and the Company continued to consider further ways to reduce risk. Schroder Investment Management Limited (" Schroder") were appointed in September 2018 to manage a Liability Driven Investment ("LDI") mandate. This is an investment which uses a range of instruments with an aim of managing the interest rate and inflation risks inherent within the Fund. The allocation to the mandate is approximately 15% and this was funded in March 2019 by exiting the holdings in government bonds and index linked bonds previously invested in the Vanguard funds, as well as reducing some of the growth assets. This change marks a major step in the Fund's wider de-risking plan and the decision recognises the impact of interest rates on the way the liabilities are valued; and the inflation linkage to many of the benefit payments made to members.

Another area that the De-risking group has been focusing on is the volatility in equity markets, given the high concentration within the portfolio. The group has been exploring the ways in which equity risk could be reduced and the portfolio diversified further. In September 2019, the scope of Natixis' mandate was extended to include the management of an equity protection strategy. This is expected to be implemented in the first quarter of 2020.

Environmental, Social & Governance (ESG)

Responsible investment has been a key agenda item for the Trustee and refers to consideration of ESG risks and the impacts on long term investment returns. Environmental aspects include waste management, air pollution, and energy efficiency whilst the social aspects include issues such as gender equality, diversity and human rights. Governance considers issues such bribery and corruption, board composition and remuneration arrangements. Responsible Investment is an important topic for pension schemes; the Trustee has an annual meeting where it meets each of the Fund's investment managers to discuss the approach taken to managing ESG risks. Particular focus is given to Vanguard's approach to voting the shares it manages within its funds on behalf of the Rhodia Pension Fund.

The Trustees have updated their Statement of Investment Principles in line with legislation which required pension schemes to include how financially material and non financially material matters including ESG are taken into account. (This is now on the pension fund website). ESG will continue to be a key focus for the Trustee going forward.

POSITION AS AT 31 DECEMBER 2018

The table below shows the approximate breakdown of how the Fund's assets were invested as at 31 December 2018.

Manager	Fund	Pooled / Segregated	Valuation (£M)	Holding (%)
Vanguard	FTSE UK All Share Index	Pooled	99.3	12.8
Vanguard	US Equity Index	Pooled	104.7	13.5
Vanguard	FTSE Developed Europe (ex UK) Equity Index	Pooled	61.9	8.0
Vanguard	Japan Stock Index	Pooled	33.4	4.3
Vanguard	Pacific (ex Japan) Stock Index	Pooled	22.3	2.9
Vanguard	Emerging Markets Stock Index	Pooled	26.0	3.4
Vanguard	UK Corporate Bond	Pooled	110.8	14.3
Vanguard	UK Government Bond	Pooled	32.7	4.2
Vanguard	Global Bond Index – GBP Hedged	Pooled	64.6	8.3
Vanguard	US Investment Grade Credit Index – GBP Hedged	Pooled	8.4	1.1
Vanguard	Euro Investment Grade Bond Index – GBP Hedged	Pooled	11.5	1.5
Vanguard	UK Inflation Linked Bonds Index	Pooled	62.9	8.1
Vanguard	US Government Bond Index – GBP Hedged	Pooled	12.6	1.6
Vanguard	UK Long Duration Index	Pooled	8.6	1.1
Deutsche	Tactical Portfolio	Segregated	47.4	6.1
Natixis	Tactical Portfolio	Segregated	43.2	5.6
BlackRock*	Strategic Alternative Income	Pooled	24.7	3.2
TOTAL			**775.0**	**100.0**



Note: The above does not account for the cash held in the Trustee Bank Account of £8.8m at 31 December 2018. The allocation of the Vanguard funds is managed on a discretionary basis by Deutsche and Natixis respectively. At 31st December 2018, Deutsche's mandate was c. £375.8m and Natixis' was £374.8m.

** The alternative asset mandate was awarded to BlackRock and commenced in June 2017 when the UK Strategic Alternative Income Fund SLP announced its first close. The Rhodia Pension Fund made a commitment of £41.5m and this capital is expected to be deployed over 18 to 24 months. As at 31 December 2018, c.60% of the capital had been deployed.*

PERFORMANCE OF THE FUND DURING 2018

The investment performance of the total Fund was negative over 2018; however, it outperformed the benchmark.

Since inception with the Fund the Vanguard funds have tracked their respective benchmarks to within expected tolerance levels.

The investment performance of the Fund in the last five years has been:

	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	5 Years (% p.a.)
Fund	-4.1	9.3	12.2	1.1	9.2	5.4
Benchmark	-4.3	10.7	15.2	1.3	9.5	6.2

Source: Investment Managers, Northern Trust, Thomson Reuters, Bloomberg, JLT Employee Benefits

The Fund's performance was slightly ahead of benchmark over the year due to the additional diversification provided from the BlackRock Strategic Alternative Income Fund.

Investment Market Events during 2018

2018 was a negative year for equity markets, with UK equities returning -9.5% and global equities returning -6.9% in local currency terms. Sterling weakened over the year, meaning overseas currency exposure was positive for Sterling investors. UK government bonds were marginally positive (+0.6%) but UK corporate bonds were negative (-2.2%).

2018 began with concerns over rising inflation, accelerating wage growth, faster-than-expected rate hikes by the Federal Reserve and market volatility spiking, as well as an escalation of the trade spat between the US and China posing a significant impediment. Nonetheless, in a scenario where signs of synchronized global growth led by the US were becoming apparent, we witnessed a build up of a favourable sentiment in the financial markets post the late January market correction, but a further fall in March meant negative equity returns for the first quarter.

Towards the end of 2017, EU leaders agreed to move to the second phase of Brexit negotiations to discuss the future of the UK's trading relationship with the bloc. After falling to a 30-year low following the trigger of Article 50, Sterling initially gained some strength against the backdrop of some progress in Brexit negotiations and expectations that the Bank of England (BoE) might increase rates faster than previously expected. Sterling's rally (against the USD) halted however, towards the end of April and continued its slide in the months of May and June. Talks of a 'no-deal' Brexit gained momentum due to Brexit officials resigning, lawmakers uncertainty over the future of European trade and Theresa May's proposal for trade being rejected by the EU bloc.

Whilst concerns around rising inflation in the UK and a hawkish BoE helped to push bond yields higher during the start of 2018, rising geo-political tension and a global equity market sell-off contributed to their fall towards the end of Q1 2018. Over Q3 2018 BoE's Monetary Policy Committee increased the bank rate by 25bps to 0.75%, as expected.

European equity markets were shaken by political concerns across Spain and Italy during the first half of Q2 2018, alongside labour strikes in France and then the possibility of a trade war led by the US. Investors got some respite towards the end of May when political agreements were reached across Spain and Italy, sending markets back into the green. In September 2018, Italy's newly elected government recommended a draft budget which would clearly put the country at odds with the European Commission, resulting in a spike in borrowing costs for Italy. To avoid legal actions the populist government agreed to make amendments in the budget, bringing the budget deficit down to 2.04% of its GDP, down from 2.40% that the country had targeted in its original plan.

In June 2018, the ECB committed to halving its corporate bond purchase programme to €15 billion after September 2018, and completely discontinuing the programme in December 2018. However, it had plans to keep the €2.6tn in bonds purchased under quantitative easing on its balance sheet while reinvesting the proceeds in fresh asset purchases. The Eurozone continued to post encouraging economic growth numbers in the first half of 2018, with Q1 2018 GDP growing by 2.5% year on year, which cut down to 2.1% at the end of Q2 2018. The Q3 2018 GDP grew by 1.6% compared to a year earlier due to poor performance by Germany and Italy.

Positive earnings momentum and supportive economic data helped US equities advance in Q2 2018. In the second half of 2018, the S&P 500 clocked its biggest annual loss since 2008 due to trade war concerns and downgraded estimated earnings. Despite the poor market performance, the US economy added 312,000 new jobs in December 2018, beating market expectations for that period. The unemployment rate rose slightly to 3.9% in December from the 3.7% reported in October, which was its lowest in nearly 50 years. The positive economic data was, however, balanced by protectionist rhetoric from Washington in the form of trade tariffs and its decision to withdraw from the Iran nuclear accord.

Treasury yields continued to rise over the year as expectations of growth, inflation and rate hikes increased. Given the strong momentum in economic growth, the Federal Reserve's Open Market Committee (FOMC) raised rates three times over 2018, in effect increasing the base rate range to 1.75% – 2.00%.

Elsewhere, Emerging Market equities and most Asian equities recorded weak Q2 and Q3 2018 on the back of the rising US dollar and escalating trade tensions between China and the US. Japanese equities drew encouragement from the depreciation of the Japanese Yen on account of the fall in consumption and inflation growth. After gaining some strength during the beginning of 2018, owing to its safe haven status, the Yen has depreciated through Q2 and Q3 2018. Given the export-oriented nature of the economy, performance of Japanese equities was positively impacted by a depreciating Yen. In Q4 2018, due to weak economic numbers accompanied with a downgraded outlook for 2019, the Nikkei 225 booked its first annual loss since 2011.

Brent crude prices increased in the first half of the period under review as both OPEC and non-OPEC members agreed to extend production cuts to the end of 2018. During the third quarter of the year, prices rose to new multi-year highs on the basis of the US withdrawing from the Iranian nuclear deal and continued to rise despite OPEC announcing plans to boost supply. In Q4 2018, oil prices fell by around 35% primarily due to excess global oil supply.

Investment Market Events during 2019 to date

Over the period between the end of 2018 to September 2019, the value of the Fund's portfolio has increased, as both growth markets and bond markets have been positive. However, government bond yields which are used to value the liabilities have fallen steeply and have consequently led to a significant increase in the liabilities. Overall, the funding level is expected to have fallen over the year to 30 September 2019.

In the first three quarters of 2019, UK equities returned 14.4%, global equities 21.1% and emerging market equities 11.4%. UK government bonds returned 19.9% and corporate bonds 19.3%. High yield and emerging market bonds returned 10.9% and 12.1% respectively, when the effects of currency fluctuations between GBP Sterling and the bond currencies are ignored. Markets have been dominated by US-China trade tensions, concerns over slowing growth and supportive policies from central banks.

Over the same period, GBP Sterling depreciated 3.2% versus the US Dollar. Sterling has been volatile over the period as the uncertainty over Brexit impacts the currency. The Trustee's policy is to delegate the management of overseas currency exposure to its asset allocation investment managers.

The Trustee acknowledges that the current level of assets is insufficient to meet the Fund's liabilities. However, it has sought and received assurances from the Solvay Group regarding its intention to pay all pension benefits as and when they fall due, and to pay contributions to increase the Fund's funding level to 100% over the long term. The Trustee receives an independent assessment of the Group's ability to meet this commitment and holds regular update meetings with the Group. The Trustee therefore believes, in conjunction with professional advice, the level of risk within the Fund is appropriate to its circumstances.



2019 SUMMARY FUNDING STATEMENT RHODIA PENSION FUND

The purpose of this statement is to provide members of the Rhodia Pension Fund and other beneficiaries with information about its funding position on an annual basis.

THE LATEST SCHEME FUNDING VALUATION

At least every three years the Trustee Directors are required to obtain a valuation of the Rhodia Pension Fund ('the Fund') to determine amongst other things the relationship between the assets and liabilities. A summary of the aggregate funding position of the Fund at the valuation as at 1 January 2018 and at the 1 January 2019 annual update is shown below.

	2019 Annual Update	2018 Valuation
Assets	£783.1m	£843.4m
Value of accrued liabilities*	£1,203.7m	£1,215.6m
Shortfall	£420.6m	£372.2m
Funding level	65%	69%

** The value of the accrued liabilities (the technical provisions) represents the Fund Actuary's estimate of the sum required at the date of valuation to meet all future benefit payments arising in respect of Members' service to the date of valuation. In determining this value, the Actuary has allowed for anticipated future investment returns within the Fund.*

CHANGE IN FUNDING POSITION SINCE THE PREVIOUS STATEMENT

The main factors contributing to the change in the funding position since the valuation as at 1 January 2018 are summarised below:

1 January 2018 to 1 January 2019

The 1 January 2019 annual update revealed that the funding position has deteriorated since the 1 January 2018 valuation from 69% to 65%. This is mainly due to the Fund's assets significantly underperforming the return assumed at the 2018 valuation. In addition, there was an increase in long term inflation expectations.

This negative effect on the funding position was partially offset by a slight increase in gilt yields over the year. Gilt yields are used to value the liabilities and assuming a higher rate of return leads to a lower value being placed on the Fund's liabilities. In addition the company continued to pay in contributions to remove the deficit.

Developments since the annual update as at 1 January 2019

Since 1 January 2019 the funding position has deteriorated slightly. A reduction in gilts yields has been partially offset by favourable asset returns. As at 1 October 2019 the funding position was 64%.



CONTRIBUTIONS

As a result of the 1 January 2018 valuation, the Company has agreed to pay the following in respect of the Fund:

- **Contributions to meet the 2018 deficit** outlined on page 7. From 1 October 2018, the Company will pay Recovery Plan contributions of **£25.0m p.a. increasing at 3.25% p.a.**, payable in equal monthly instalments until 31 December 2027; and
- **Contributions in respect of insurance premiums for lump sum and pension benefits payable on death in service of active members in service.**
- **Basic contributions of 29.3% p.a. of Contribution Salary in respect of ongoing benefits** accruing for Contributing Members.
- Additional amounts equal to the **Pension Protection Fund** Levies that are charged to the Fund and the **ongoing expenses** of the Fund (excluding investment management costs).

Deficit contributions
£25.0m p.a.
increasing at 3.25% p.a.

Basic contributions
29.3% p.a.

THE PENSIONS REGULATOR

The Pensions Regulator, as with other large pension schemes, engaged with the Trustee Directors and the Company during the 2018 valuation process.

In certain circumstances the Pensions Regulator can direct how the Fund's technical provisions must be calculated, can set the period for eliminating any funding shortfall, and can specify the level of employer contributions to be paid, rather than leaving these issues to be determined by the Trustee Directors. No such circumstances have arisen.

WINDING UP

As required by legislation, as part of the formal valuation of the Fund, the Actuary assessed the funding position if the Fund had been wound up as at 1 January 2018.

This is summarised in the table below for the Fund:

Assets	£843.4m
Value of accrued liabilities*	£1,770.9m
Shortfall	£927.5m
Funding level	48%

The shortfall is an estimate of the additional sum that would have been required from the Company to ensure that all members' benefits could have been paid in full had the Fund been wound up on 1 January 2018.

Providing 'winding up' information is a formal legal requirement and does not imply that the Company was considering winding-up the Fund.

PAYMENT TO THE EMPLOYER

No payment has been made to the employer out of Fund funds since the last Summary Funding Statement.

ADDITIONAL DOCUMENTS AVAILABLE FROM THE PENSIONS DEPARTMENT

Actuarial Valuation
Every three years the Fund Actuary does a full valuation of the Fund.

Schedule of Contributions
This shows how much money is to be paid into the Fund. This document is included in the Annual Report & Accounts.

Annual Report & Accounts of the Fund
These show the Fund's income and expenditure during the year. Included in this document is a more detailed version of the Summary Funding Statement.

INTEGRATED RISK MANAGEMENT POLICY (IRM)

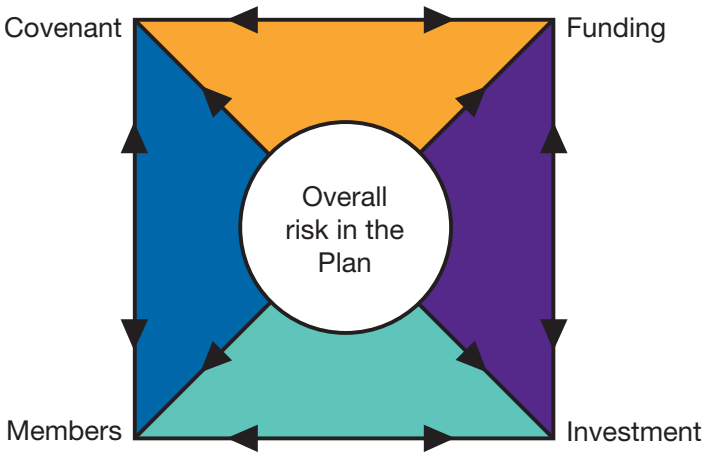
This is an important tool for managing the risks associated with scheme funding. It forms an important part of efficient governance.

Within the context of the overall objectives of the Fund, it covers the four main areas shown opposite:

Within each area, the key risks are identified and process for assessment agreed. Contingency plans which outline potential indicators of a significant worsening are included. In the event of a breach of any of the triggers occurring, a course of action has been agreed.

The aspirational long-term funding target (or Secondary Funding Objective) is to be fully funded on a self-sufficiency basis.

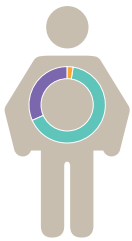
This is recognising that achieving full funding on the technical provisions basis will be achieved as a precursor to full funding on a self-sufficiency basis.



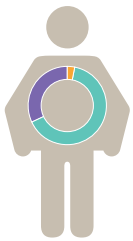
THE PENSION REGULATOR'S 2019 ANNUAL STATEMENT

One of the key messages outlined in this Annual Statement is to develop a Long Term Funding Target (LTFT) which delivers the fund's ultimate objective with a journey plan. It needs to look beyond being fully funded on a technical provisions basis to becoming fully funded upto the LTFT. This is an area that will be addressed in the coming year.

MEMBERSHIP STATISTICS AS AT 31 DECEMBER

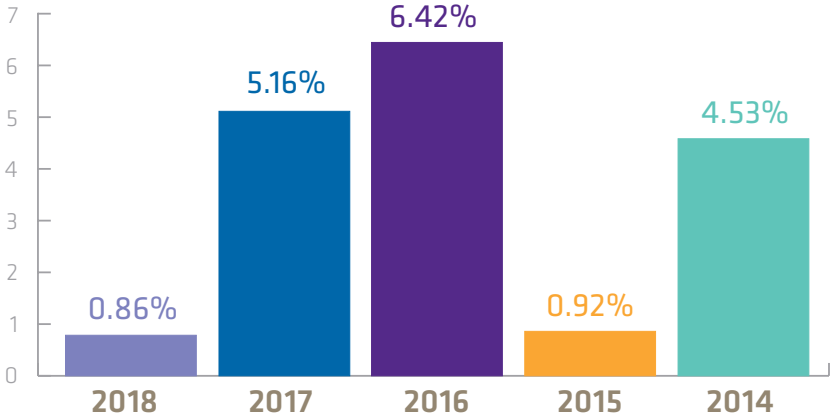


2018		2017
154	Contributing Members	165
4,772	Pensioners	4,844
2,062	Deferred Pensioners	2,146
6,988	**Total**	**7,155**



PERFORMANCE OF THE INTERNAL AVC FUND OVER RECENT YEARS AS AT EACH 31 DECEMBER

INTERNAL AVC FUND %



PERFORMANCE OF AVC FUNDS

A table detailing the investment performance of the funds held with Old Mutual Wealth is on page 14.

PERFORMANCE OF THE WITH-PROFIT AVC FUND HELD WITH CLERICAL MEDICAL (MEMBERS OF THE FORMER RPS BENEFIT CATEGORY) AS AT 31 DECEMBER

	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
With profit-Unit Linked – Before Tax	(2.6)	7.8	8.5	2.3	7.1
FTSE 100	*(8.7)*	*12.0*	*19.1*	*(1.3)*	*0.7*
FTSE All Share	*(9.5)*	*13.1*	*16.8*	*1.0*	*1.2*

Statistics provided by Clerical Medical. % change bid to bid. Market indices – gross returns

The remainder of funds transferred to Old Mutual Wealth in June 2019. (This is where AVCs for the majority of this category are held).

EQUITABLE LIFE – WITH PROFIT POLICYHOLDERS

In June 2018, Equitable Life announced a proposal which would include closing the with-profits fund and transferring all policies to Utmost Life and Pensions. Just over a year later, the High court has granted approval for Equitable Life to write to policyholders with details of the proposal, how they can vote on it and the tight timescales involved.

Having sought guidance from the Actuary to determine the best interest for members, the following votes were cast:

Vote on the Scheme – FOR

This vote is with regards to the conversion of with-profits to unitised policies. As part of the conversion, members would be forgoing future guaranteed investment returns and future capital distributions. In exchange, members would receive a one-off uplift and the ability to invest their fund how they deem appropriate.

Vote on Changes to the Articles – FOR

This vote is with regards to the transfer of the policies from Equitable Life to Utmost.

The proposal would only go ahead if at least 50% of the Policyholders vote in favour of it; and those who vote in favour hold at least 75% of the total value of the with-profits fund.

This was passed at the Policyholder's Meeting and EGM.

STOP PRESS!!!

On 22 November 2019, the High Court Hearing to obtain formal approval was started. It is expected that the proposal will be approved and if so, will take effect from 1 January 2020. This would mean that:

- The value of affected members' with-profits investments will be uplifted (increased).
- Any Investment Guarantees will be removed.
- The increased value of members' with-profits investments will be converted to unit-linked investments and moved into a **secure cash investment** for a maximum of six months.

*While in the **secure cash investment**, the Unit price is guaranteed not to decrease from the price at the initial investment date, although its value would be unlikely to keep pace with inflation. In the meantime, the Trustee Directors would seek investment advice regarding the best option for members long term.*

If the proposal does not go ahead, Policyholders will remain invested with Equitable Life, within the existing with-profits funds. Members would be kept informed.

Affected members will be kept informed of progress. More detailed information can be obtained from **www.equitable.co.uk** or Utmost's website at **www.utmost.co.uk**



GUARANTEED MINIMUM PENSION'S (GMP'S)* (FINAL SALARY SCHEME MEMBERS)

Reconciliation Exercise

Our pension fund administrators continue to work on this huge project which compares GMP's recorded on our records to HMRC's records and aligning them.

As this exercise is being carried out across the pensions industry, massive delays have been incurred with HMRC and completion is not expected until 2020. Any affected members will be notified.

*Definition of GMP is on page 12.

GMP Equalisation

In a nutshell

Since 17 May 1990, there has been a conflict between the requirement for occupational pension schemes to treat men and women equally and the fact that contracted-out schemes must provide GMPs, which legislation defines in different ways for men and women. It has not been clear whether or how to solve this puzzle.

In October 2018, the High Court ruled that Trustees have a duty 'to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs'. The case concerned Lloyds Banking Group but has implications for other schemes contracted-out between 1990 and 1997.

The challenge

The pension fund has just under 5000 pensioners and the benefits need to be recalculated from date of leaving through retirement to current date, with back-payments paid as appropriate.

This exercise cannot begin until the reconciliation exercise has been completed, however preparation regarding the various key decisions needed can start now. Even so, full implementation could take several years. The Trustee is working closely with the Actuary to determine the best way to tackle this exercise in the interest of members. A working party which has representatives from both the Rhodia Pension Fund and Solvay Pension Trustee Limited has also been established; work will begin in 2020.

Rectification Exercise

This means **correcting members' pensions** in line with both the Reconciliation and Equalisation exercises.



PENSION INCREASES MATCH INFLATION

RPF Benefit Category

Annual pension increases at 1 January 2019

Former Rhône – Poulenc members

Pensions earned through membership of the Rhone Poulenc Pension Fund before 1st April 1997 were increased by 3%. Where members had not yet attained their **Guaranteed Minimum Pension (GMP*)** payment due date, this increase was applied to the entire pension built up before 1st April 1997.

Where members had attained their **GMP** payment due date, the 3% increase was applied to that portion of pension earned before 1st April 1997 in excess of the **GMP**.

For pension earned after 1st April 1997, the increase was 3.3%, which was based upon the RPI movement in the year to 31 October 2018.

Former members of the Benzole Producers Pension Scheme

Former Albright & Wilson Pension Fund members who retired on/after 1 April 2001

Former members of Fisons Pension Fund

Former Rhodia Pension Fund members

Where members had not yet attained their **Guaranteed Minimum Pension (GMP*)** payment due date, an increase of 3.3% was applied to the entire pension, based upon the RPI movement in the year to 31 October 2018.

In the case of former members of the Fisons Pension Scheme, Limited Price Index related elements received increases of 3.3% and the Pre-Acquisition Day element received 3.3%.

Where members had attained their **GMP** payment due date, all pension in excess of the **GMP** was increased by 3.3%.

Annual pension increases at 1 April 2019

Former members of the Albright & Wilson Pension Fund who retired prior to 1 April 2001

Where members had not yet attained their **Guaranteed Minimum Pension (GMP*)** payment due date), an increase of 2.7% was applied to the entire pension, based upon the RPI movement in the year to 31 December 2018.

Where members had attained their **GMP** payment due date, all pension in excess of the **GMP** was increased by 2.7%.

For the Albright & Wilson Pension Fund pensioner/dependant population there is a long standing arrangement to pay a minimum overall increase of £1 per month. This increase applies to pensions which have been in payment for at least one complete calendar month as at 1 April in any year. For anyone who has been retired for less than one complete year a pro-rated increase applies in the first year based on the number of complete calendar months between date of retirement and 1 April. Where a pro-rated increment generates less than £1 per month overall increase, the minimum £1 per month overall still applies, the extra increase being added to the basic pension.

Former RPS Benefit Category

Annual pension increase at 1 January 2019

Where members had not yet attained their **Guaranteed Minimum Pension (GMP*)** payment due date, an increase of 3.5% was applied to the entire pension, based upon the RPI movement in the year to 31 August 2018.

Where members had attained their **GMP** payment due date, all pension in excess of the **GMP** was increased by 3.5%.

**__GMP__ is broadly equivalent to the pension that would otherwise have been earned from the State Earnings-Related Pension Scheme (SERPS) had members not been contracted-out during that period. Increases on the __GMP__ after SPA are provided by the State annually and are added to the State Pension. As a result of changes in the State Pension, if you reach your SPA after 6 April 2016, the Government will no longer pay an increase on any pre 88 __GMP__ and any excess over 3% in respect of post 88 __GMP__.*

However, the first 3% due on the __GMP__ earned between 6 April 1988 and 5 April 1997 is provided by the Rhodia Pension Fund, rather than by the State and is added to the annual increase granted by the Fund.

Under the former RPS Benefit Category, the __GMP__ earned up to 5th April 1988 and after 6th April 1988 received an increase of 3%.

FINANCIAL HIGHLIGHTS FOR 2018

These figures have been taken from the formal Annual Report and Accounts.

1.	Opening Fund Account as at 1 January 2018	**£7.27m**
2.	Expenditure	**£0.87m**
3.	Pensions, lump sums and death benefits	**£0.28m**
	Leavers' payments	**£0.59m**
4.	Income (Contributions)	**£0.58m**
5.	Decrease in value of investments	**£0.27m**
6.	Closing Fund Account as at 31 December 2018	**£6.71m**

REVIEW OF INVESTMENT PERFORMANCE

Investment policy is decided by the Trustee after taking appropriate advice. Professional fund managers are appointed who have day-to-day responsibility for managing the assets within each asset class.

The investments for the Rhodia Pension Fund – Money Purchase Benefit Category are held in pooled funds registered on the Old Mutual Wealth Life Assurance Limited ('Old Mutual') institutional investment platform.

There are a total of 9 pooled investment funds available to members on a self-select basis, as well as a default fund approach which targets income drawdown at retirement. Two further lifestyle strategies are also available, one targets annuity and the other targets encashment. These funds aim to manage members' risk characteristics by automatically switching assets from higher risk/return investments into lower risk/return investments as retirement approaches for each member depending on the approach chosen.

Each pooled fund held on the investment platform operates within guidelines set out by the Trustee or laid down in pooled fund governing documents. All the investments held by the Fund are regarded as readily realisable and are dealt either daily or weekly.

Members receive an annual statement showing the value of their individual fund holdings.

MARKET VALUE OF INVESTMENTS AS AT 31 DECEMBER 2018

As at 31 December 2018 the market value of each fund held on the Old Mutual investment platform was as follows:

	2018 £
BlackRock Aquila (50:50) Global Equity Index Fund	373,778
BlackRock Aquila Emerging Markets Index Fund	81,696
Standard Life Global Absolute Return Strategies Fund	27,703
BlackRock DC Diversified Growth Fund	50,946
Newton Real Return Fund	25,684
L&G Active Corporate Bond – All Stocks Fund	125,068
L&G Over 15 Year Gilts Index Fund	623,636
L&G Over 5 Year Index-Linked Gilts Index Fund	541,241
L&G Cash Fund	219,871
Rhodia Growth Fund*	4,833,644
Total	**6,903,267**

Note: totals are subject to rounding

**Default lifestyle strategy fund. The composition of the switching mechanism changed slightly during 2019. Details are included in the Statement of Investment Principles, which is available on the Rhodia Pension Fund website.*

INVESTMENT PERFORMANCE

The table below provides a breakdown of the returns by fund over 3-month and one year periods to 31 December 2018, compared with the benchmark returns relating to the relevant fund.

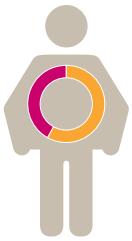
Return (net)*	3 month %	1 year %
BlackRock Aquila (50:50) Global Equity Index Fund	-10.5	-7.3
Benchmark index	-10.5	-7.4
BlackRock Aquila Emerging Markets Index Fund	-5.1	-9.7
Benchmark index	-4.9	-9.4
Standard Life Global Absolute Return Strategies Fund	-2.2	-6.1
Benchmark index	1.5	5.9
BlackRock DC Diversified Growth Fund	-4.5	-2.7
Benchmark index	1.1	4.2
Newton Real Return Fund	-1.5	-0.1
Benchmark index	1.2	4.6
L&G Active Corporate Bond – All Stocks Fund	0.0	-1.6
Benchmark index	0.1	-1.5
L&G Over 15 Year Gilts Index Fund	2.5	0.2
Benchmark index	2.6	0.3
L&G Over 5 Year Index-Linked Gilts Index Fund	2.0	-0.5
Benchmark index	2.0	-0.4
L&G Cash Fund	0.2	0.4
Benchmark index	0.2	0.5
Rhodia Growth Fund**	-5.9	-4.9

**Net return of the underlying funds. BlackRock could not provide net returns and so an estimate has been provided*

***Rhodia Growth fund allocation based on the 'growth phase' of the lifestyle strategy – 45% BlackRock Aquila Life (50:50) Global Equity Index Fund, 10% Standard Life Global Absolute Return Strategies Fund, 10% Newton Real Return Fund, 10% BlackRock DC Diversified Growth Fund, 5% BlackRock Aquila Life Emerging Markets Fund, 20% L&G Active Corporate Bond – All Stocks Fund*
Pre-retirement allocation. In the 10 years leading up to the member's chosen target retirement age, the assets will be gradually switched as follows: 75% L&G Pre-Retirement Fund and 25% L&G Cash Fund

The lifestyle strategy has since been revised. Further details are shown on the website.

MEMBERSHIP STATISTICS AS AT 31 DECEMBER



2018		2017
118	Contributing Members	112
54	Deferred Pensioners	50
172	Total	162



CYBER SECURITY/GENERAL DATA PROTECTION REGULATION (GDPR)

The risk of cyber-attacks on pension schemes, their advisers and their sponsors is increasing. The Trustee and its advisers have policies and procedures in place for dealing with the above. The Trustee also underwent a cyber-attack simulation workshop at a recent training session. An **incident response plan** has been implemented to coordinate the actions of all relevant parties should the Fund be subject to such an attack.



RHODIA PENSIONS TRUST LIMITED DIRECTORS

Company-appointed Trustee Directors

Bob Tyler	Pensioner (Chairman)
Alison Murphy	Employee
Alison Johnson	Pensioner
Barry Milner	Pensioner
Jeremy Rogers	Employee
Susan MacDonald	Employee

Member-nominated Trustee Directors

Eddie Chilton	Employee
Steve Pearce	Pensioner
Steve Kelly	Pensioner
Dave Hodgson	Deferred*

* former Rhodia Pharma Solutions Pension Plan representative.

Secretary to the Trustee Directors

Annette Coppin

PROFESSIONAL ADVISERS – RHODIA PENSION FUND

Actuary:	R Evans, XPS Pensions Group
Auditors:	RSM UK Audit LLP
Solicitors:	CMS Cameron McKenna Nabarro Olswang LLP
Covenant Assessors:	Ernst & Young LLP
Bankers:	Barclays Bank plc (Final Salary) National Westminster Bank (Money Purchase)
Scheme Administrators:	Capita Employee Benefits
Investment Managers:	Vanguard Asset Management Limited Natixis Asset Management UK Limited Deutsche Asset & Wealth Management BlackRock Schroders Investment Management Limited Clerical Medical (formerly Equitable Life) Old Mutual Wealth (Money Purchase)
Investment Consultants:	JLT Benefits Solutions Ltd
Global Custodian:	The Northern Trust Company
MasterTrust Provider:	LifeSight
Registered Office:	Solvay Solutions UK Limited 34 Clarendon Road Watford Herts WD17 1JJ

For any general queries about the Fund which **Capita Employee Solutions have been unable to help you with**, please contact:

Pensions Team

Mike Membery	Pensions Manager
Annette Coppin	Pension Services Manager
Karen Lowe	Pensions Administration Co-ordinator

Tel:
07768 765445 (Mike Membery)
0121 541 3857 (Annette Coppin)
0121 541 3783 (Karen Lowe)
Email:
mike.membery@solvay.com
annette.coppin@solvay.com or
karen.lowe@solvay.com

The Pensions Department:
Rhodia Pensions Trust Limited
P O Box 80
Trinity Street, Oldbury
West Midlands
B69 4LN

CONTACT DETAILS

IMPORTANT - PLEASE HELP US KEEP IN TOUCH

If you are a Deferred member or Pensioner and **you move home or your personal circumstances change,** please contact Capita Employee Benefits to ensure the Trustee Directors have your current details. Details of their address are shown on the right.

If you are a Contributing member of the Rhodia Pension Fund, please inform HR.

If you have any queries relating to your pension benefits or actual pension payments please contact Capita directly:

Rhodia Pension Fund
c/o Capita Employee Benefits,
Radio House, Thanet Way,
Whitstable, Kent CT5 3QP

Helpline No: **0344 3912 403***
Fax No: **0344 3911 999**
Email: **Rhodia@capita.co.uk**

**Please note that calls from a mobile phone may be higher than those from a landline*

By, law we cannot give you advice about your pension arrangements. If you are thinking about any changes, you may want to obtain independent financial advice.

JUST LAUNCHED!!!

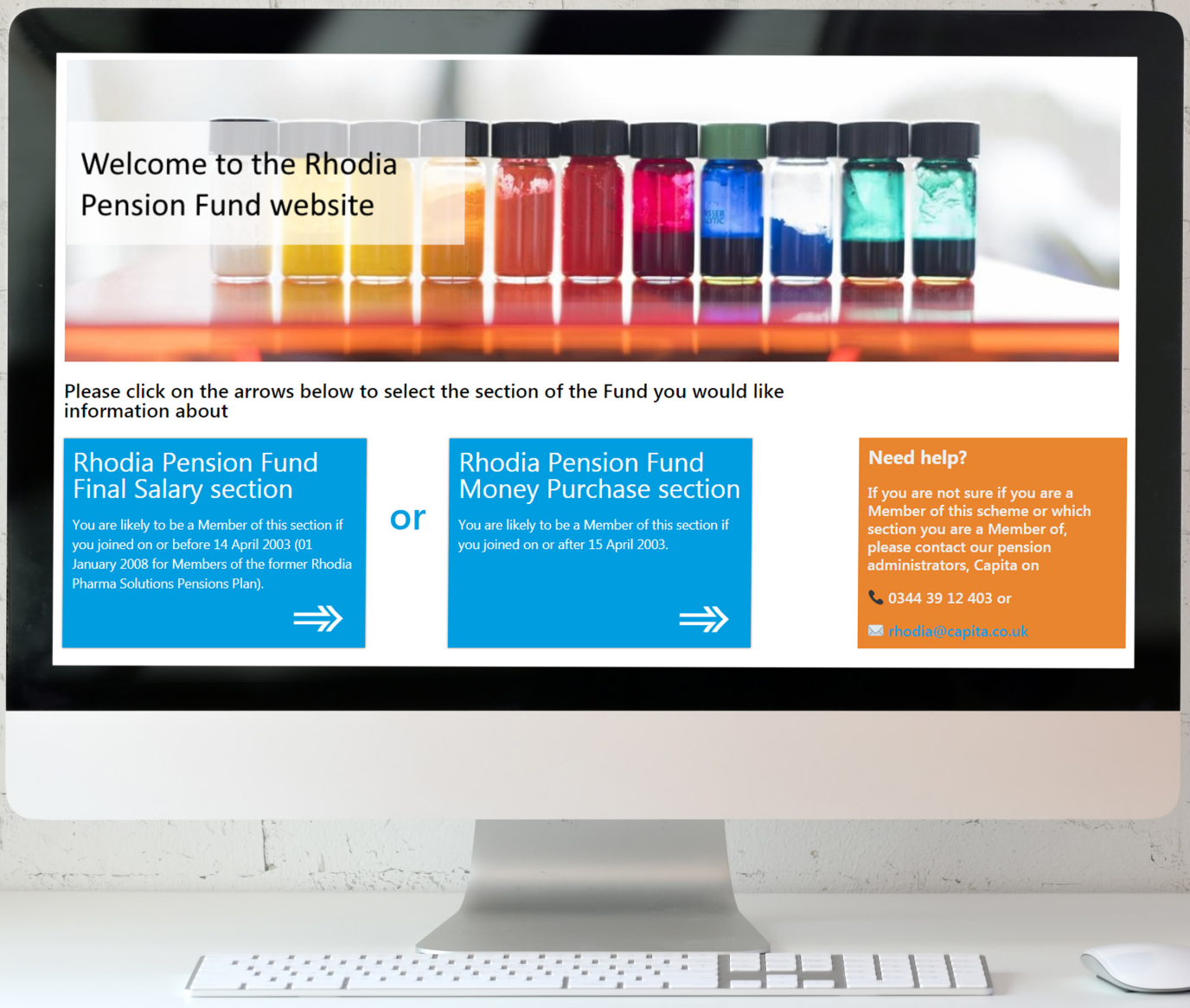
RHODIA PENSION FUND WEBSITE

Adhering to good governance, the Trustee Board are pleased to announce their own pension fund website ensuring key information can be accessed immediately. It is available for all Actives, Deferreds and Pensioners.

The intention is to use the website as the 'go to' place for all generic information relating to the Rhodia Pension Fund, including pension fund booklets, Members' Annual Reports and key announcements etc.

All information held on the website is in accordance with GDPR and is available in the public domain.

No password or username is required to access the website which can be found at **http://ssuklpensions.com**



(Please note that it will not be possible for members to run pension illustrations, request/make changes eg address changes to their pension records via the website but the relevant links/contact details are provided).

Please note that this will be the last year that Members' Annual Reports will be posted to members' home addresses. Future reports will be added to the website instead. Previous years' reports can also be viewed.