Introduction

This statement sets out the Trustee's policy for securing that the statutory funding objective (*SFO*) is met. The SFO is defined in section 222 of the Pensions Act 2004, which states that every scheme must have sufficient and appropriate assets to cover its technical provisions.

Technical Provisions

The technical provisions are the amount that will be needed to pay the Scheme benefits that relate to service up to the valuation date, if the assumptions made are borne out in practice.

The assumptions used to calculate the technical provisions are intended to provide a prudent estimate of the future experience of the Scheme, with a modest allowance for the future potential outperformance over gilts from continued investment in some more risky asset sectors such as equities and property. There is an underlying assumption that the Scheme will continue with benefits being met from the Scheme as they fall due.

The method and assumptions used to calculate the technical provisions are summarised in Appendices A and B.

Company contributions

Company contributions are assessed by calculating the cost of future benefit accrual using the same assumptions as for the technical provisions;

plus

- an estimate of the premiums paid to insure the lump sum death benefits;
- an estimate of the expenses (including Pension Protection Fund (PPF) and other levies collected by the Pensions Regulator but excluding investment-related expenses);

reduced by

- the contributions made by members;

adjusted by

- the amounts needed to eliminate any shortfall or surplus relative to the technical provisions.

Dealing with shortfalls

Any shortfall in assets compared with technical provisions identified at an actuarial valuation will be eliminated in accordance with the recovery plan agreed between the Trustee and the Company. The additional contributions will consist of a stream of regular increasing payments made over the recovery period.

In determining the recovery period at any particular valuation the following factors will be taken into account:

- the size of the funding shortfall;
- the business plans of the Company;
- the Trustee's assessment of the financial covenant of the Company; and
- any contingent security offered by the Company.

The assumptions to be used in the shortfall elimination calculations will be the same as those for calculating the technical provisions. In addition, allowance may be made for the expected out-performance of the Scheme's assets compared to the discount rate, to the extent agreed by the Trustees and the Company. It has been agreed that the assumptions used in the recovery plan established following the 5 April 2014 valuation will include an allowance for the Scheme's assets to outperform the discount rate by 0.4% p.a. over the recovery period.

Dealing with surpluses

The treatment of any funding surplus revealed by a valuation will be agreed between the Trustee and the Company at the time, taking into account similar issues to those outlined above in respect of funding shortfalls, and also any regulatory requirements that may apply.

Policy on discretionary increases and funding strategy

Under the provisions of the Scheme's Trust Deed and Rules, there are certain discretionary powers to provide or increase benefits for, or in respect of, all or any of the members of the Scheme.

No allowance is included in the calculation of the technical provisions for any such discretionary benefits (for example discretionary pension increases or early retirement requiring Company consent).

If discretionary increases to benefits are made, the Trustee's current policy is to request immediate additional contributions to meet the cost of such increases. This policy will be reviewed if the Scheme is estimated to be in surplus relative to the technical provisions.

Interaction with investment strategy

The assets that most closely match the Scheme's liabilities are index-linked, fixed-interest gilts and LDI instruments of appropriate term compared to the liabilities.

The Scheme is partly invested in assets such as equities that are expected, although not guaranteed, to produce a higher return than gilts. The Trustee understands that investing in equities reduces the expected contributions required from the Company in the long-run.

An allowance for the extra return expected from equity investment has been taken into account in setting the Scheme's technical provisions. If this extra return is not achieved over the long term, the shortfall will ultimately need to be met by increased contributions from the Company.

Both the Company and the Trustee appreciate that the contributions required can be volatile.

The Trustee regularly reviews the Scheme's investment strategy taking into account the funding position and liability profile. The Trustee will consult fully with the Company before any changes are made to the investment strategy.

Risks

The Trustee and the Company recognise that there are a number of risks inherent in the funding plan and that additional funding may be required at future valuations if the experience of the Scheme is not in line with the assumptions made. In addition to the investment risk detailed above, particular risks are:

Longevity risk

Future improvements in life expectancy may be greater than anticipated. In setting the Scheme's funding target, mortality assumptions are made based on the Scheme's experience with an appropriate margin for adverse experience and adjusted to make some allowance for future improvements in longevity. The mortality assumptions are reviewed following formal triennial actuarial valuations.

Discontinuance risk

The Trustee and the Company recognise that the Scheme could be discontinued in accordance with the Scheme's Trust Deed & Rules.

If the Scheme is discontinued then the technical provisions may need to be revised to reflect the change in the Scheme's circumstances. There is a risk that the assets in the Scheme at that time may be insufficient to cover these revised technical provisions. In addition, there is a risk that the Company may at that time be unable to meet its obligation to contribute to the Scheme. Furthermore, the capacity of the insurance market may be insufficient at that time to secure the liabilities externally, if the Trustee wished to do so.

Employer covenant risk

The Scheme is reliant on the Company to make contributions to the Scheme to fund the benefits promised to members and to make good any shortfalls. There is a risk that the Company may be unable or unwilling to make these contributions. The Trustee recognises this risk and will monitor the employer covenant on a regular basis as set out below.

Monitoring employer covenant

The Company will present information to the Trustee at least once a year on the profitability, prospects and net assets. In addition, the Company will send copies of their annual accounts to the Trustee as soon as they become available and inform the Trustee as soon as possible of developments which have or could have a material adverse impact on the strength of the employer covenant.

The Trustee will review the need for further information on employer covenant (such as an independent assessment) at least once a year, and following any valuation or funding report which shows a shortfall against the technical provisions.

Frequency of valuations

The Scheme's first actuarial valuation to which this statement applies is being carried out as at 5 April 2014. Subsequent valuations will normally be carried out every three years.

The Trustee will obtain an actuarial report on developments affecting the Scheme's funding level as at each intermediate anniversary of the valuation date. The actuarial reports will not normally lead to changes in the Company contribution rate unless the Trustee and Company agree upon such changes.

The Trustee may call for a full actuarial valuation when, after considering the actuary's advice, it becomes of the opinion that it is unsafe to rely on the results of the previous full valuation as a basis for future Company contributions. However, the Trustee will consult the Company before doing so.

Signatures

This statement has been agreed by the Company

Signed on behalf of Imerys Minerals Limited

Signature: Name: T. DENNETT.

Position: FINANCE DIRECTOR Date: 31 MARCH 2015.

This statement was agreed by the Trustee is effective from 31 March 2015. The Trustee has taken advice from the Scheme Actuary, Simon Mayne.

Signed on behalf of the Trustee of the Imerys UK Pension Scheme

Signature: Name: D. OSBORNE / R. TOWNSEND

Position: TRUSTEE Date: 31 MARCH 2015.

Appendix A: Method and financial assumptions for determining the technical provisions and employer contributions

Method	The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a three-year Control Period.
Financial assumptions - approach	The approach to be used in determining each of the financial assumptions for calculating the technical provisions and the Company contributions is set out below. The assumptions vary depending on when the expected payment is made i.e. they are "term dependent" and are often referred to as the "yield curve approach".
RPI inflation	The RPI yield curve derived from the gilts market at the valuation date.
CPI inflation	The assumption is derived at the valuation date by deducting 1.0% p.a. from the RPI inflation assumption at all terms. The difference between the long term assumption for RPI and CPI inflation may vary over time to reflect changing views of long term structural differences between the calculation of RPI and CPI inflation at the date subsequent calculations are carried out.
Discount rate	The fixed interest gilt yield curve at the valuation date plus a term dependant risk premium as follows: • 1.2% above gilt yields for 10 years from 5 April 2014 • reducing down to 0% over the following 15 years
Pay increases	Each member's pay is assumed to increase in line with the assumed rate of CPI inflation plus 0.25% p.a. at all terms. This is inclusive of promotional increases.
Increases in pensions in payment	Inflation-linked pension increase assumptions are derived from the RPI and CPI inflation assumptions allowing for the maximum and minimum annual increase and the fact that inflation varies from year to year. The inflation volatility assumption is in line with the term dependant RPI and CPI volatility as at the valuation date as advised by the Scheme Actuary and may be updated from time to time in light of market conditions as advised by the Scheme Actuary.
Revaluations of deferred pensions in excess of GMP	Derived from the CPI inflation assumption allowing for maximum and minimum increases that apply.
GMP increases in deferment	Statutory fixed rate increases depending on the date the member left service.
GMP increases in payment	Statutory increases derived from the CPI inflation assumption.

The table below shows the forward rates for the financial assumptions used as at 5 April 2014. These apply from term t-1 to t, where t=0 is 5 April 2014.

Term	Discount rate	Salary increases	RPI price inflation	CPI price inflation	LRPI(0,5) pension increases	LCPI(0,5) pension increases	LCPI(0,3) pension increases	LCPI(0,2.5) pension increases
1	1.56%	2.02%	2.77%	1.77%	2.77%	1.77%	1.75%	1.69%
2	2.26%	2.04%	2.79%	1.79%	2.79%	1.79%	1.75%	1.67%
3	3.17%	2.06%	2.81%	1.81%	2.80%	1.81%	1.74%	1.64%
4	3.83%	2.31%	3.06%	2.06%	3.05%	2.07%	1.92%	1.77%
5	4.32%	2.43%	3.18%	2.18%	3.14%	2.20%	1.96%	1.78%
6	4.69%	2.53%	3.28%	2.28%	3.18%	2.31%	1.98%	1.77%
7	4.97%	2.63%	3.38%	2.38%	3.21%	2.41%	2.00%	1.77%
8	5.18%	2.72%	3.47%	2.47%	3.23%	2.50%	2.02%	1.78%
9	5.33%	2.82%	3.57%	2.57%	3.26%	2.58%	2.05%	1.80%
10	5.43%	2.91%	3.66%	2.66%	3.31%	2.64%	2.09%	1.84%
11	5.43%	2.99%	3.74%	2.74%	3.36%	2.69%	2.12%	1.87%
12	5.39%	3.07%	3.82%	2.82%	3.41%	2.73%	2.15%	1.91%
13	5.34%	3.13%	3.88%	2.88%	3.46%	2.77%	2.18%	1.93%
14	5.27%	3.19%	3.94%	2.94%	3.49%	2.80%	2.20%	1.95%
15	5.19%	3.24%	3.99%	2.99%	3.51%	2.83%	2.21%	1.96%
16	5.08%	3.28%	4.03%	3.03%	3.53%	2.85%	2.22%	1.97%
17	4.98%	3.31%	4.06%	3.06%	3.53%	2.86%	2.21%	1.96%
18	4.87%	3.33%	4.08%	3.08%	3.52%	2.86%	2.20%	1.95%
19	4.74%	3.34%	4.09%	3.09%	3.50%	2.86%	2.18%	1.93%
20	4.62%	3.34%	4.09%	3.09%	3.46%	2.84%	2.15%	1.90%
21	4.49%	3.33%	4.08%	3.08%	3.42%	2.82%	2.12%	1.87%
22	4.36%	3.31%	4.06%	3.06%	3.37%	2.78%	2.08%	1.83%
23	4.22%	3.28%	4.03%	3.03%	3.32%	2.75%	2.04%	1.79%
24	4.08%	3.24%	3.99%	2.99%	3.26%	2.70%	2.00%	1.75%
25	3.94%	3.19%	3.94%	2.94%	3.21%	2.66%	1.95%	1.72%
26	3.86%	3.13%	3.88%	2.88%	3.14%	2.60%	1.91%	1.67%
27	3.72%	3.11%	3.86%	2.86%	3.11%	2.57%	1.88%	1.65%
28	3.44%	3.11%	3.86%	2.86%	3.10%	2.56%	1.87%	1.64%
29	3.65%	2.85%	3.60%	2.60%	2.90%	2.36%	1.73%	1.52%
30	3.93%	2.51%	3.26%	2.26%	2.65%	2.10%	1.55%	1.37%
31	3.24%	2.75%	3.50%	2.50%	2.81%	2.28%	1.67%	1.47%
32	3.24%	2.75%	3.50%	2.50%	2.81%	2.28%	1.66%	1.46%
33	3.15%	2.75%	3.50%	2.50%	2.80%	2.28%	1.66%	1.46%
34	2.96%	2.65%	3.40%	2.40%	2.73%	2.20%	1.61%	1.41%
35	2.96%	2.49%	3.24%	2.24%	2.61%	2.08%	1.53%	1.34%
36	3.18%	2.52%	3.27%	2.27%	2.63%	2.10%	1.54%	1.35%
37	3.65%	2.84%	3.59%	2.59%	2.85%	2.33%	1.69%	1.48%
38	3.66%	2.81%	3.56%	2.56%	2.82%	2.31%	1.67%	1.47%
39	2.89%	2.32%	3.07%	2.07%	2.49%	1.95%	1.43%	1.26%
40	2.57%	2.32%	3.07%	2.07%	2.49%	1.95%	1.43%	1.26%
41	2.57%	2.32%	3.07%	2.07%	2.49%	1.95%	1.43%	1.26%
42	2.79%	2.51%	3.26%	2.26%	2.61%	2.08%	1.51%	1.33%
43	3.22%	2.75%	3.50%	2.50%	2.77%	2.24%	1.62%	1.43%
44	3.22%	2.75%	3.50%	2.50%	2.77%	2.24%	1.62%	1.42%
45	3.22%	2.75%	3.50%	2.50%	2.77%	2.23%	1.62%	1.42%
46	3.33%	2.76%	3.51%	2.51%	2.77%	2.23%	1.62%	1.42%
47	3.76%	2.75%	3.50%	2.50%	2.77%	2.22%	1.61%	1.42%
48	3.76%	2.77%	3.52%	2.52%	2.78%	2.24%	1.62%	1.42%
49	3.76%	3.07%	3.82%	2.82%	2.97%	2.43%	1.75%	1.54%
50 and above	3.77%	3.08%	3.83%	2.83%	2.98%	2.43%	1.76%	1.54%

LRPI(X,Y) refers to pension increases based on RPI inflation with a floor of X% pa and a cap of Y% p.a.

LCPI(X,Y) refers to pension increases based on CPI inflation with a floor of X% pa and a cap of Y% p.a.

Additional assumptions for employer contributions	In determining Company contributions payable the same assumptions will be used as those for calculating the technical provisions together with the additional financial assumptions described below.
Expected return on assets	At the 5 April 2014 valuation the recovery plan will include an allowance for the Scheme's assets to outperform the discount rate by 0.4% p.a. over the recovery period.
Expenses	An allowance will be made for the administration expenses of the Scheme (including PPF and other levies). At the 5 April 2014 valuation this allowance is £1.1M p.a. from 5 April 2014, increasing in line with 3% p.a. with the first increase on 1 January 2015.

Appendix B: Demographic Assumptions

Post-retirement mortality

Base mortality table:

- Males – heavy table S2PMA
- Females – heavy table S2PFA

For each member, an individual scaling factor has been determined using the Aon Hewitt Longevity Model based on the member's date of birth, sex and socio-economic information inferred from their postcode, membership category and recent Scheme membership experience.

The valuation uses the equivalent single scaling factors listed below as this would produce approximately the same value of liabilities as the individual scaling factors.

Category	Sex	Base table	Equivalent single scaling factor
Actives	Males	S2PMA_H	90%
	Females	S2PFA_H	100%
Deferreds	Males	S2PMA_H	90%
	Females	S2PFA_H	100%
Pensioners and dependants	Males	S2PMA_H	90%
	Females	S2PFA_H	95%

An allowance for improvements between 2007 and 2013 and an allowance for future improvements has been made in line with the CMI_2013 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women.

Pre-retirement mortality

Males: 100% of Standard table AMC00 Ultimate.

Females: 100% of Standard table AFC00 Ultimate.

Sample rates are shown below.

Early retirements

No allowance has been made for retirements before Normal Retirement Age (apart from ill-health retirements).

Ill-health retirements

Allowance has been made for ill-health retirements (see sample rates below).

Withdrawals

Allowance made for withdrawals from service (see sample rates below).

Family Details

A man is assumed to be three years older than his wife.

80% of members are assumed to be married at retirement or earlier death.

These assumptions include allowance for pensions payable to other dependants, including civil partners.

Commutation

Each member assumed to commute 25% of their pension on retirement, on terms that are 10% greater than the commutation factors in place as at 5 April 2014.

Sample rates

The tables below illustrate the allowances made for withdrawals, deaths before retirement and retirements from service at various ages.

Men

	Percentage leaving the Scheme in the next year as a result of		
Current	**Withdrawal from service**	**Death before retirement**	**Ill health retirement**
20	7.0	0.05	0.050
25	7.0	0.05	0.038
30	7.0	0.05	0.033
35	4.0	0.06	0.037
40	4.0	0.08	0.058
45	2.0	0.12	0.104
50	-	0.20	0.189
55	-	0.34	0.338
60	-	0.61	0.585

Women

	Percentage leaving the Scheme in the next year as a result of		
Current	**Withdrawal from service**	**Death before retirement**	**Ill health retirement**
20	10.0	0.02	0.039
25	10.0	0.02	0.047
30	10.0	0.03	0.063
35	6.0	0.04	0.090
40	6.0	0.06	0.135
45	3.0	0.09	0.210
50	-	0.15	0.335
55	-	0.26	0.539
60	-	0.44	0.870

Sample life expectancies

The assumed improvements in life expectancy are illustrated in the table below:

Current age	Male life expectancy on reaching age 65	Female life expectancy on reaching age 65
65	21.4	23.7
55	22.3	24.7
45	23.3	25.7

Appendix C: Further information to meet requirement of Scheme Funding Regulations

Policy on reduction of cash equivalent transfer values	The Trustee will ask the Scheme Actuary to advise at each valuation of the extent to which assets are sufficient to provide cash equivalent transfer values (CETVs) for all non pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100%, the Trustees will take advice from the Scheme Actuary regarding whether to reduce CETVs and, if appropriate, the extent of such reduction. If at any other time, after obtaining advice from the Scheme Actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the Scheme Actuary regarding whether and, if appropriate, the extent to which CETVs should be reduced.
Payments to the Company	Payments will only be made from the Scheme to the Company if there is a surplus, the Trustee agrees to the payment, and the payment complies with legislation covering returns of surplus.
Contributions to the Scheme	There are no arrangements currently in place for persons other than the Company or members of the Scheme to contribute to the Scheme.