

Fund Focus

Your Unilever pension newsletter

From the Chair of Trustees



Welcome to the latest edition of Fund Focus. Nearly a year has gone by since the last issue, and the headlines are still full of finance, pensions and the economic climate. Against this background, I have had an interesting and eventful first year as Trustee Chair.

Like any newcomer to an organisation, I have spent some time getting to know my colleagues and surroundings. I have had individual meetings with my fellow Trustees, as well as Unilever staff most closely involved with the Fund, to discuss the challenges we face and hear their thoughts on how we might meet them. I have been able to appreciate the board's existing rigorous and analytical decision-making processes, and the high level of commitment of my fellow trustees who make up the board.

Before I joined, the board had already begun to refine its approach to scheme governance, in line with increased expectations from the industry's regulators. One of these steps was my appointment as independent Trustee Chair. The structure of the board itself also changed, establishing new sub-committees overseeing specific areas of managing the Fund, as seen in last year's issue of Fund Focus. In the period since I joined, we have built further on these changes to ensure a robust but flexible governance structure able to respond effectively to the fast changing external environment. At the same time, the board has been seeking to make its working relationships stronger and more rigorous – introducing more formal agreements with Unilever and its pension and investment teams, improving member communications (like Fund Focus) and continually reviewing our external advisers' performance.

I believe it is important that, as a board, we regard this process as ongoing. Pension scheme trustee responsibility is increasing, and our ability to meet this responsibility must increase with it. We are currently planning to address this by looking at our 'effectiveness' and looking at ways to develop as a Trustee board. We are also keen to measure our own performance in the same way we would review that of our Unilever teams or external advisers. This may lead us to make further changes to the governance of the Fund in future – and we will use Fund Focus to keep you fully updated on our progress.

In the meantime, of course, the Trustee board remains committed to running the Fund efficiently and in line with its rules and with legislation – while looking after its members' interests and maintaining an open and productive two-way relationship with Unilever. As part of this remit, we have been looking at Unilever's ability and willingness to support the Fund (called the 'covenant'), and the development of our investment strategy. Read more in our update over the page.

While we do have challenges ahead of us, I believe that the Trustees' commitment and breadth of experience place us in an excellent position to meet these challenges.



Unilever

Trustee update

One of our ongoing activities as Trustees is to monitor the funding position of the Fund. Formal valuations of the Fund take place every three years, but we also receive annual updates from the Fund actuary in years between valuations.

Over the past year, the Fund's funding shortfall has grown larger. There are a number of reasons for this (see the latest funding statement on pages 6 and 7 for more details) – but the one on everyone's mind at the moment is almost certainly the turmoil in financial markets which resulted in the current recession. However, while there is a recovery plan already in place to make up the shortfall, there are two key points to bear in mind as we look ahead:

- Pension schemes are long-term investments. The recent economic situation has been very unusual and we need to bear this in mind when planning far into the future. We would expect the economy to go through good and bad periods many times over in the life of the Fund.
- There is a strong company supporting the Fund. As well as looking at the Fund's funding level, we must also monitor Unilever's financial position and how that might affect its ability to support the Fund.

Introducing 'employer covenant'

This term is used to describe an employer's ability and willingness to support its pension scheme financially.

So, if an employer has a 'strong' covenant, it means it is willing and able to pay the necessary contributions into the scheme, and has the financial ability to back it up. (Not every employer has a strong covenant – some companies may simply not have the necessary financial ability, or if they do, they may feel they have to use it to support other resources than the pension scheme.)

The Trustees believe that Unilever has, and continues to provide, a strong covenant to the Fund. The Trustees have recently appointed a specialist company, Penfida, to help with this important aspect of their role and have agreed arrangements with the Company to be advised of any developments which could impact on the covenant. For example, the Company provides relevant financial information to the Trustees and makes an annual presentation to the Trustees on the financial performance of the business.

Any questions?

Please contact Unilever Peoplelink if you have a question about your plan or individual benefits, or your personal details change.

Phone: 0800 028 4390

E-mail: peoplelinkuk@accenture.com

Developing the investment strategy

Currently, the investment strategy places a large proportion of the Fund's assets in equities (shares in companies) and other investments that do not behave in the same way as the Fund's liabilities. Equities have tended to give higher returns than most other types of investment over long periods, making them a common investment choice for pension schemes. However, they are volatile and can go up and down in value, sometimes quite dramatically in the short-term.

While the strength of the employer covenant is good news, the Company and Trustees have agreed that it would be desirable to remove, over time, some of the expected volatility in the Fund's investment strategy.

This will mean in future increasing the investments that generally behave more like the Fund's liabilities, which will aim for greater security of the Fund's assets. This approach of 'matching' the Fund's investments to its liabilities will, over time, hopefully mean that once the Fund reaches a 'fully funded' position it will remain fully funded – rather than move between shortfall (deficit) and surplus.

Please note: other assumptions are used when working out the liabilities of the Fund (such as mortality rates). Significant changes in these assumptions (particularly mortality rates) can have a big impact on the funding position.

The new approach will not take effect straightaway because we still want to aim for high returns while there is a shortfall to make up. We are planning, however, to introduce a 'dynamic' strategy that will shift the Fund's assets into investments that behave more like the Fund's liabilities in stages as the funding level increases.

Changes to the Trustee board

We were saddened by the death of Chris Appleby in July 2009 after an illness which she bore with great courage. Chris brought commitment and a sunny disposition to the board in the short time she was a Trustee and will be sorely missed.

Pamela Dickson was appointed by Unilever as a Trustee in June 2009. Pamela joined Unilever as a finance graduate trainee in 1990. Since then her career has taken her to Unilever offices in Port Sunlight, Kingston, Brussels and London. She is currently Global Finance Director for Laundry and will shortly move to become Finance Director of the Integration Programme Office set up to support the intended acquisition of Sara Lee (Personal Care).

Fund information

The Fund's official documents include:

- the formal Fund annual report and accounts (containing full details of the Fund's financial development over the year);
- the latest report on the plans' funding (we base the information in the summary funding statement on this report from the actuary);
- the recovery plan (which sets out the steps the Trustees and the Company have agreed to make up the deficit identified in the latest valuation);
- the statement of funding principles (which explains the arrangements that are in place to make sure the Fund has sufficient assets to cover its technical provisions);

- the schedule of contributions (which shows how much money members and the Company are paying into the Fund);
- the statement of investment principles (where the Trustees outline their approach for investing the Fund's assets); and
- the trust deed and rules, the document governing how the Fund is run.

If you would like copies of any of these documents, please contact:

The Fund Secretary, Unilever UK Pensions, Unilever House, Springfield Drive, Leatherhead, KT22 7GR.

And don't forget to check the Fund website – details are on the back page.

Protection in place

No-one likes to think about the worst that could happen. We would all prefer to see our pension plan as just that – a way of saving that helps to give us a good income when we retire.

That said, it is important to remember the benefits in place for you or your family if you die before you retire. This is not just because they could make a real difference to the financial comfort and well-being of you and your dependants – it is also because there are certain actions you need to take to help make sure the people you have in mind are the ones who benefit. It will not necessarily happen automatically.

[You can find all the details about these benefits on the website \(see the back page\) or in your plan guide.](#)

Nomination forms

To make sure the right people benefit, you must keep your nomination forms up to date. You use these forms to tell the Trustees who you would like to receive any benefits payable after your death. There is one form for the cash sum benefit and another for any dependant's pension you would like to be payable.

Cash sum death benefit

It is particularly important that we have an up-to-date form from **everyone** about the cash payment as, under the Fund rules, the Trustees have the final decision over who receives it. In this way, the payment does not become part of your estate and your beneficiary will not have to pay inheritance tax on it. This also means, however, that the cash sum payment does not automatically go to your husband, wife or civil partner – so please remove all doubt by filling in the nomination form for lump sum death benefit, even if you feel it is obvious who should receive it.

There are two sections to the form. In Section A, please fill in the names of close family only. The Trustees will automatically follow your instructions in Section A unless

there are special circumstances (for example, you were single and nominated family members at the time, then got married afterwards). You can name anyone in Section B – the Trustees will not automatically make payments to those named in this section, but they will take your wishes into account.

Spouse/dependant pension

If you are not married and you want to nominate someone else to receive a pension in the event of your death, you must also complete a dependant's pension nomination request form. You can only nominate someone who depends on you financially or because of disability.

If you are married or in a civil partnership, your husband, wife or civil partner will automatically qualify for the pension payable.

However, you can nominate someone else to receive a pension if that person depends on you financially or because of disability. In this case, the pension for your husband, wife or civil partner will be reduced accordingly.

If you are in a civil partnership, the pension payable under current law is lower than would be payable to a husband or wife. (This is because it is based only on the pension you build up from 5 December 2005 – when the law recognising civil partnerships took effect – plus additional contracted-out benefits.) If your civil partner depends on you financially or because of disability, you can nominate them to receive the same level of pension that the Fund would provide for a husband or wife.

Your children will also receive pensions up to the age of 18 (or 23 if they are in full-time education).

[You can download copies of the nomination forms from the website.](#)

Retiring early – a reminder

From 6 April 2010, the earliest age you can retire from the UUKPF in good health and begin to draw pension will go up from 50 to 55. We reported on this in the last issue of Fund Focus – if you no longer have your copy, remember you can download it from the website.

Please bear this change in mind if you are planning to retire early after 6 April 2010.

Remember that you still need agreement from the Trustees to retire early from the Final salary plan, and from the Company and the Trustees to retire early from the Career average plan.

State pension forecasts

You receive your UK State pension on top of your Fund benefits when you reach State pension age. If you would like a forecast of the State pension you can expect, request one through the Government's Directgov website (www.direct.gov.uk) or by calling the State pension forecasting team on 0845 3000 168.

Bear in mind that you may not receive your State pension at the same age you draw your Fund pension. Following some recent changes to pension law, your State pension

age now depends on your date of birth – the age that applies to you will appear on your forecast. The Directgov website also has a 'State pension age calculator'.

And remember that you can also call the Unilever State Benefits Helpline on 01494 729796 if you are unsure about qualifying for any State benefits or would like some guidance about what information to ask for.

Tax for high earners

Some recent changes to pensions law have affected the way tax applies to benefits for high earners. We appreciate that these changes will only affect a very small number of you. But please read through the information anyway. The rules apply to your benefits from all registered pension scheme sources – not just the Unilever UK Pension Fund – and as a result, it is your responsibility to check if any of the new measures affect you.

Annual and lifetime allowance 'freeze'

The 'Tax' section on pages 3 and 4 of your General information guide explains how the annual and lifetime allowances work. (You can download a copy of the General information guide from the website.) Broadly speaking, if you build up benefits above the allowances, you pay extra tax on the excess amount (the annual allowance measures contributions paid and the increase in benefits built up every year over a 12-month period, while the lifetime allowance applies to the total of all your benefits built up over your working life). The allowances have been set at deliberately high levels, and if you are among those likely to be affected, you have almost certainly compared your current benefits against them before now.

The allowances have been increasing each year since they were introduced, but the Government has announced that it is 'freezing' the allowances from the 2010/2011 tax year until at least the 2015/2016 tax year. The annual allowance will freeze at £255,000 and the lifetime allowance at £1.8 million.

Budget announcement

In the 2009 UK Budget, delivered on 22 April, the Chancellor announced some changes to the tax relief on pension savings. You may be affected if:

- your total income from all sources (not just your Unilever earnings) in the current tax year, or previous two tax years, has been £150,000 or more; and
- you are considering increasing your pension saving (which you can do under the Fund by increasing your level of extra contributions or AVCs, or starting to pay new extra contributions or AVCs).

We have produced a leaflet giving further information about the Budget changes. If you think you may be affected, you can download a copy from the website.

Summary funding statement

To help you read your statement

Your summary funding statement explains the funding that underpins your Unilever UK Pension Fund ('the Fund') benefits. As Trustees, we are required by law to send you a summary funding statement each year, either to report the results of the formal valuation (which takes place every three years), or to report the results of the annual funding update (which takes place in years when a formal valuation is not carried out). This summary funding statement reports the results of the funding update at 31 March 2009.

Funding target

The Fund is set up as a common pool of money into which current employee members and the Company pay contributions and which we invest to help it grow. Benefits are paid out of this pool of money.

We work with the Company to agree a **'funding target'** which we aim to meet. The target, known as the 'technical provisions', is tailored to our Fund's circumstances and needs. It is based on assumptions about future events, the investment strategy adopted by the Trustees and the expected covenant provided by the Company. It also assumes that the Fund will continue in the future and that Unilever plc and the other employers will continue in business and support the Fund.

The assumptions satisfy the regulations in the Pensions Act 2004. Our actuary helps us look at how the outcome can change if any of the assumptions turn out to be too low, or too high. We then use our judgement to consider how confident or cautious we want to be when deciding on a safety margin to build into our funding target.

When carrying out valuations and funding updates, the actuary works out the amount of assets the Fund needs to cover its funding target. Then he takes the value of the Fund's assets from the accounts and compares the assets with the funding target. This gives the funding level. The table opposite shows the **funding level** according to this 'ongoing' valuation.

Providing for future benefits and a plan for recovery

The actuary estimates the level of contributions the Fund should receive to cover the cost of the benefits which are building up for the future and deal with any shortfall (or 'deficit') in the funding level as compared to the funding target.

Generally, the Fund relies on the Company and its financial support to:

- pay regular contributions to cover its share of the cost of the benefits members are building up for the future;

- make extra contributions when there is a funding deficit;
- put in more money if the funding target turns out to be too low; and
- pay the future expenses of running the Fund each year.

Following the results of the 2007 valuation, we agreed with the Company the level of contributions needed to maintain and improve the funding level. Other arrangements may apply in the event of a surplus.

The solvency position

The Pensions Act 2004 says we must also tell you what the funding position would be if the Fund wound up (came to an end) at the valuation date. (We have also included the position shown in the update at 31 March 2009.) This is known as the 'full solvency' position. It looks at whether the Fund has enough money in it to buy insurance policies to provide all the benefits promised to members.

Even if a pension scheme is fully funded under the ongoing valuation, the full solvency position is likely to be less than 100%. Reasons for this include:

- insurance companies have to invest in 'low risk' assets, which generally tend to give lower returns than the level of returns the Fund is targeting; and
- insurance companies' policy prices will include administration charges and a profit margin.

Your summary funding statement

At 31 March 2009 the Fund had a deficit of £1,800 million, which corresponds to a funding level of 69% (below left).

In the last statement (sent to you in October 2008), we gave you information based on the actuary's latest estimate of the funding position at 31 March 2008 and results of the formal valuation at 31 March 2007. The latter showed that the Fund had a deficit of £360 million (below right).

At 31 March 2009		At 31 March 2007	
Value of assets	£4,040 million	Value of assets	£5,060 million
Estimated amount needed to cover funding target (technical provisions)	£5,840 million	Amount needed to cover funding target (technical provisions)	£5,420 million
Deficit	£1,800 million	Deficit	£360 million
Funding level	69%	Funding level	93%

Since March 2009 the situation has improved and the Trustees continue to monitor the funding level closely. The next formal valuation date is 31 March 2010. We will update you when the results are available.

Future benefits and a plan for recovery

For active Final salary plan members, the Company currently pays regular contributions equal to 24.1% of pensionable pay, less members' normal level of contributions. The Company's contributions for Career average plan members are currently 20.5% of pensionable earnings (between the two levels), less members' contributions. These are the main contribution rates, full details are in the schedule of contributions.

The Company has paid a total of around £340 million in additional contributions between April 2007 and March 2009.

At the 2007 valuation date, the agreed recovery plan aimed for a funding level of 100% by 31 March 2010. This plan allowed for a less cautious investment return assumption on the assets than that used on the technical provisions.

The Fund's solvency position

If the Fund had started winding up at 31 March 2009, our actuary estimates that the amount the Fund would have needed to ensure that benefits were secured in full was £7,300 million. On this basis the Fund's deficit was £3,260 million, equal to a funding level of 55%. (At 31 March 2007, the date of the latest valuation, the funding level on this basis was 73%.)

Pensions law says we must give you this information, and we need to work out this figure to get a complete picture of the Fund's financial health. But it does not mean that the Company is thinking of closing the Fund.

Changes since the previous statement

Last year's statement provided an update of the funding position at 31 March 2008 and showed a funding level of 86% at that date. Since last year's statement, the funding level has deteriorated. This is mainly as a result of the significant decrease in the value of the assets of the Fund from 31 March 2008 to 31 March 2009. Over the same period the estimated amount needed to cover the funding target decreased slightly due to changes in market conditions.

Other things we must tell you

As part of this statement, we must tell you if there have been any payments to the Company out of the Fund since the last summary funding statement. There have not.

The Pensions Regulator can change the Fund benefits, give directions about working out its technical provisions or impose a schedule of contributions. We are pleased to say that it has not needed to use its powers in this way for our Fund.

Other pension arrangements

This statement explains the funding that supports your pension in the Unilever UK Pension Fund. If you have any benefits in other Unilever schemes or the schemes of former employers, you may receive summary funding statements from them. (As a general rule, you will only receive funding statements if your other schemes are 'defined benefit', which normally means that benefits are based on a formula including your salary and years of service.)

Help at hand

The plan website: www.uukpf.co.uk

We have made some changes to the website. There is now a wealth of information on the Final salary, Career average and Investing plans, as well as all the forms and other documents you may need to download. We will post news on the site from time to time, so please take time to visit it every now and then.

Please use the on-line feedback form to let us know what you think.



Helpful organisations outside Unilever

If you are uncertain about anything to do with your savings or pension, think about taking independent financial advice. **IFA Promotion** can help you find an adviser in your area – you can carry out a search on their website: www.unbiased.co.uk.

You can also take questions or problems to **The Pensions Advisory Service (TPAS)**, which runs a query helpline **0845 6012923** and mailbox enquiries@pensionsadvisoryservice.org.uk.

Unilever UK Insurance Scheme

Unilever gives you access to a wide range of personal insurance products, with premiums specially negotiated for retirees, current and former employees. The Scheme now also extends to include any family members.

For further information, or to request a quotation on home, travel, motor or healthcare insurance, please refer to the leaflet we have enclosed, or visit the website: www.unilever-insurance.co.uk

As with all financial products, it is important to shop around to find the right product to suit your needs.

Looking after your affairs

Inside, we talked about what happens to your Fund benefits if you die. On the same subject, it is worth giving some thought to setting your general affairs in order. The key thing to consider is that you need to leave explicit instructions to ensure your money or estate is managed in the way you would want.

- **Make a will** – if you do not make a will, the State may decide to divide your estate in a way you would not have wished. In particular, you can make sure through your will that you provide for an unmarried or civil partner. You can also choose exactly what proportion of your estate goes to each beneficiary.
- **Consider appointing a power of attorney** – a power of attorney can be a relative, friend or professional (such as a solicitor). You appoint them to look after your financial affairs in the event you may not be able to do so yourself. Clearly, the person you appoint should be someone you trust – but it is possible to appoint more than one to guard against any wrongdoing.

Visit the Government website, Directgov, for more information. Here are the links to the topics we have mentioned:

Making a will:

http://www.direct.gov.uk/en/Governmentcitizensandrights/Death/Preparation/DG_10029800

Appointing a power of attorney:

http://www.direct.gov.uk/en/Pensionsandretirementplanning/HomeAndCommunity/Carers/DG_10026855

Please note that website links can change from time to time. If you find that these links no longer point to the right item, try the homepage first: www.direct.gov.uk.

This document confers no rights to benefits. Rights to benefits are conferred solely on the terms and subject to the conditions of the Unilever UK Trust Deed and Rules as from time to time in force.

This document also contains references to the Trustees. These are the Directors of the Unilever UK Pension Fund Trustees Limited.