

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.

Liz Airey



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.

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 one 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 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).

Any questions?

Please contact the Unilever Pensions Team if you have a question about your pension payments, or your personal details change.

Unilever Pensions Team,
Hewitt Associates Outsourcing Limited,
6 More London Place, London SE1 2DA.
(to 6 December 2009)

Parkside House, Ashley Road, Epsom
Surrey KT18 5BS.
(from 7 December 2009)

Phone: 0800 028 0051

From overseas: +44 (0)20 7939 4909

E-mail: unileverpensionsteam@hewitt.com

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 active 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. But it is important to remember that the plan may still benefit your family after you die. This is not just because it could make a real difference to the financial comfort and well-being of your dependants – it is also because there are certain actions you may need to take to help make sure the people you have in mind are the ones who benefit. It will not necessarily happen automatically.

Here is a reminder of the benefits:

- If you leave an eligible husband or wife, they will normally receive a pension of half your pension at the date you died, ignoring any reduction from retiring early or taking a cash sum. (If your husband or wife is more than ten years younger than you the pension they receive will be reduced, since it likely to be paid for a longer period.)
- If you leave a civil partner, they will be entitled to the same benefits – but based only on any pension you built up from 5 December 2005 (when the law recognising civil partnerships took effect), plus additional 'contracted-out' benefits.
- Your children will also receive pensions up to the age of 18 (or 23 if they are in full-time education).
- If you die within five years of retiring, the balance of your pension in payment for the rest of that five-year period will be payable as a cash sum (currently tax free).

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 dependant's pension and another for the cash sum benefit (should you die within five years of retiring).

Spouse/dependant pension

If you are not married and you want to nominate someone else to receive a pension, you must 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 (unless you married after retirement and have been married for less than six months).

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. 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.

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Protection in place continued

Cash sum death benefit

If you are over age 70, or the husband, wife or civil partner of a former employee member of the Fund who has died, you are not eligible for this particular benefit. As a result, please ignore this section.

If you are a former employee member of the Fund and **retired less than five years ago**, it is particularly important that we have an up-to-date cash sum benefit nomination form.

Under current law, the Trustees have the final decision over who receives any lump sum death benefit that might be payable. 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 payment does not automatically go to your husband, wife or civil partner – so please remove all doubt by filling in the form, even if you feel it is obvious who should receive the benefit.

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.

You can find copies of the nomination forms on the plan website (see the back page) or contact the Unilever Pensions Team if you need further help.

Introducing...

caravan
the charity for grocery people



We spoke to Cathy Mercer, Caravan's Director of Development, to find out more.

Some of our readers may not know about Caravan – could you tell us a bit about it?

'Caravan is the charity for former workers in the grocery industry – so that includes anyone from greengrocers and off-licence workers to checkout operators, warehousemen and delivery drivers. We currently give financial assistance to about 1,800 people.'

Who does it support?

'The first thing I'd like to get across is that anyone who used to work for Unilever (or a Unilever Company) – whatever role they used to have – could qualify for support, because the company is part of the grocery industry.

We do have a couple of conditions. The people we help must have worked in the industry for at least 10 years (so that doesn't have to be with Unilever the whole time). And they must be able to show some evidence of financial hardship. For example, we wouldn't normally assist anyone with over £12,000 in savings.'

What benefits does Caravan provide?

'In most cases, simple financial support. We make an annual grant of £778 – paid in quarterly instalments – to those who qualify. For some of them, it can make a big difference to their income.

We believe our beneficiaries should have the modern-day 'essentials' where possible – so we can buy or replace appliances like washing machines or cookers if the individual can't afford it. We can step in with emergency grants when financial help is needed in urgent situations – such as a contribution towards boiler or roof repairs.

We've also worked with the Financial Services Authority on a booklet and DVD to help people with their financial planning.'

How involved is Unilever with Caravan?

'Unilever is a big supporter of Caravan – it's represented on our fundraising committee and sponsors many of our events across the UK. The company is also prepared to take a very hands-on role in our activities - for example:

- Tony Smith, former Customer Development Director for Unilever UK and Ireland, now chairs Caravan's Trustee Board.
- Cynthia Elliott, Pensioners' Liaison Manager, sits on Caravan's Welfare Committee and Welfare Strategy Group.
- Dave Lewis, Unilever UK and Ireland Chairman, is a regular attendee at Caravan functions and read at the Carol Service last year.

We also have several former Unilever employees among our welfare visitors, who call on all our beneficiaries once a year to check how they're doing and provide any emotional or practical support they might need. And we're always looking for more volunteers!'

Contacting Caravan

Caravan wants to hear from you if:

- you want to know more about the support they provide, either for yourself or if you think you know someone who might qualify; or
- you are interested in helping out, whether through fundraising, joining a committee or volunteering as a visitor.

You can visit the Caravan website for more information at www.caravan-charity.org.uk.

Or, you can call Cynthia Elliott in the first instance on **01372 945665**.

Brand news

This year sees two big Unilever brands celebrating important anniversaries:

40 years of Vaseline Essential Moisture

This year Vaseline is celebrating 40 years of Vaseline Body Lotions. Nobody knows skin and how to keep it at its healthy best better than Vaseline and that's why we've been keeping skin amazing for the last 40 years. Vaseline was a groundbreaking product for its time. Developed in the USA, the home of Vaseline, and first sold to the public in 1969, the lotions quickly became a best seller.

Vaseline Essential Moisture Daily Body Lotion has provided a moisturiser so versatile, it has been used by everyone in the family.

Specially formulated to provide your skin with real moisture, without leaving it feeling sticky, the fast absorbing yet long lasting formulation has been a universal favourite. With its light fragrance that is suitable for everyone, Vaseline Essential Moisture Daily Body Lotion has been trusted by millions across the world as a product that delivers incredible moisture for every generation.



100 years of Persil

When asked to name a detergent, 80% of people say Persil (from a Reader's Digest survey).

This year Persil is celebrating 100 years of tough but gentle cleaning. The first laundry brand to launch a detergent and to feature a man in its TV advertising, Persil has always been at the forefront of innovation.

Starting life as the 'Amazing Oxygen Washer', Persil's journey has ranged from the slogan 'Persil washes Whiter' in the 1930s and 40s, to the 'Old Mother Riley' advert in the 1950s, moving onto the introduction of the first washing tablets in the UK in the 1990s and the current 'Dirt is good' campaign.

After 100 years Persil is still cleaning and caring, and today Persil is the UK's best loved laundry brand.

Placed side by side, all the 18-tablet Persil packs made in a year would stretch from London to Tokyo – and back!



Surf Twilight Sensations

Introducing new Twilight sensations – the mysterious new fragrances from Surf. Inspired by the world of fine fragrance, these magical scents will transport you and your laundry to the mystical world of Twilight.

Available in two captivating fragrances – Jasmine & Black Gardenia and Vanilla & Black Orchid – Surf Twilight Sensations brings the luxury of fine fragrance to your everyday laundry.



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 years 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.



Welcome to the Unilever UK Pension Fund website

This site is designed to give information to anyone with Unilever UK Pension Fund (referred to as the 'Fund') benefits – including potential, current and former Fund members and their families. There are three sections of the Fund: the Final salary plan, the Career average plan and the Investing plan. If you are already a member of the Fund, you will be a member of either the Final salary plan or the Career average plan. The Investing plan is open to members of both the Final salary and Career average plans to pay extra contributions on top of those they are making to their main plan.

To enter your section of the Fund, select either Final salary plan or Career Average plan below. You will be able to access information on the Investing plan from within either the Final salary plan or Career average plan sections of the website.

Final salary plan

The Final salary plan was open to Unilever employees who were working at Unilever before 1 January 2008. It was closed to new members on 31 December 2007.

Career average plan

The Career average plan opened on 1 January 2008. It is open to Unilever employees who are permanent (or have been on a temporary contract for at least 12 months), are aged 18 or over and meet any other conditions set by their particular Unilever employer.

Latest news

2009 UK Budget - note for high earners

In the 2009 UK Budget, delivered on 22 April, the Chancellor announced some changes to the tax relief on pension savings.

Legal information

By using this website you agree that you have read and understood the legal information.

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.

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