Unilever pensions

Staying *in Touch*

October 2003

Welcome to the new edition of Staying In Touch. As a deferred member of the Unilever Pension Fund (UPF) you have left the Fund and the pension benefits you earned during your service have become preserved benefits which are increased year by year in line with the Retail Prices Index. These benefits will be available to you when you retire.

As a deferred pensioner, you are part of an incredibly varied group. You may have worked anywhere in the UK, or indeed the world, for any one of a multitude of companies for just a short time or over many years. As you read this newsletter, you might be working for another company, you might be self employed or you might have stopped working altogether.

Whatever your situation, the one thing you have in common is an entitlement to your deferred pension from the Unilever Pension Fund. This magazine is designed specifically with you in mind to answer some common queries, give you an insight into some current pension issues and of course to help us stay in touch with you. We hope you enjoy this issue of Staying In Touch.

Feedback

We are committed to improving our communication, so let us know your views.

- What do you think about Staying in Touch?
- Was the information interesting?
- Did it tell you what you wanted to know?
- What else would you like to know about the pension scheme?

Please contact Emelda Conroy at the address shown on the following page or you can email her on Emelda.Conroy@unilever.com.

Survey results

We have recently performed our biennial customer survey. This told us that Staying In Touch is your most important and valued communication with the Fund. The results were overwhelmingly positive and results in many categories had improved since the last survey. For example 70% of deferred members said Staying In Touch told you what you needed to know compared to 54% in 2001 and 64% said it covered pensions issues you were interested in compared to 56% in 2001.

We are also trying to improve our customer service and you will be pleased to know that UKPD achieved its goal of answering 90% of queries within 10 working days earlier this year. However we are not content to rest on our laurels and in the spirit of continuous improvement we are now aiming to answer 90% of queries within 7 working days. Any comments you have about the service you receive from UKPD are also welcome.

Unilever

This year in response to customer feedback we have piloted deferred benefit statements.

2 *Your* Deferred *Pension*

Staying in Touch with you

The question we are most often asked by our deferred pensioners is "Can you give me details of my Unilever pension?". This year in response to customer feedback we have piloted deferred benefit statements with very positive results. We will be sending out more before the end of the year. So watch out for a statement landing on your doormat soon!

Staying in Touch with us

There are still many ways in which you can contact us for more information. We also want more information about you - for example since you left the company have you moved house or changed marital status? - if you have, have you told us?

It would be very helpful when contacting us if you have the following details to hand:

- Your name
- Your date of birth
- Your record number. (This was shown with your address details on the Staying in Touch envelope. You may like to make a note of the number here for future reference.)

Record No.	

Our address is:

UK Pensions Department (UKPD)
Unilever UKCR Ltd
Unilever House
PO Box 68
Blackfriars
London EC4P 4BQ.

Email:
london.ukpensions@unilever.com

Telephone helpline:
020 7822 6050

www.myupfpension.co.uk

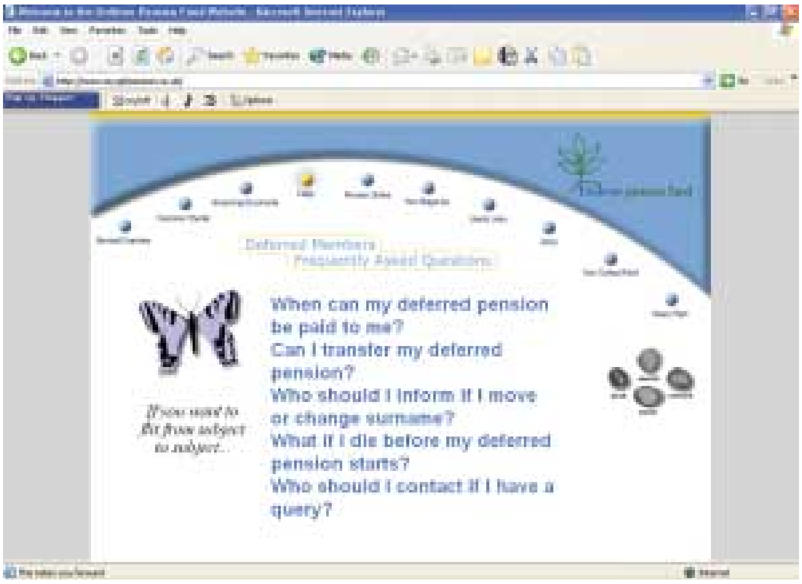
Finding out more for yourself

Our website **www.myupfpension.co.uk** has now been running for 3 years. In that time we have had over 35,000 hits. You may not be aware that the website is not only for our employee members but is full of information for our deferred and pensioner members also. Features include:

- A fully searchable online edition of the Trust Deed and Rules of the Fund as well as the member booklet.
- Forms to request information from UKPD.
- Newsflashes to help keep you up to date with current issues.
- Frequently Asked Questions (FAQ).
- Copies of all previous issues of Staying In Touch.

Once we have sent out deferred benefit statements these will also be put on the website to allow you to view your own personal pension details online. We hope that by then (or soon afterwards) the website will offer you the facility to explore the effect on your pension if you decided to take it early or to take part as a lump sum. This will be protected by a secure login and password system to ensure that no one is able to access your benefits details except you.

An example screen shot is shown opposite.



When should I contact UKPD?

If you are unable to find the answer to your query on the website the kinds of questions UKPD can answer for you are:

Am I entitled to a deferred pension?

How is my pension worked out?

Is my pension increased?

Can I transfer my UPF benefits to my current pension scheme?

How do I get my benefits?

Can I draw my pension early?

Am I entitled to a lump sum?

Can I have my pension paid overseas?

Please don't hesitate to contact us (details are on the previous page) if you have any queries about your pension entitlement. We are here to help!

'Unilever continues to stand behind the (Unilever Pension) Fund and is fully committed to it for as far forward into the future as any of us can see.' **Niall FitzGerald** *Chairman, Unilever PLC*

4 Facts & figures

from the Pension Fund

Are your benefits safe?

You may have noticed the increase in the number of pensions articles in the media over the last few years. Often the headlines have reported that large well known companies have huge deficits in their final salary schemes and that more and more companies are closing their final salary schemes to new members or, in some cases, winding them up completely. It is no surprise that we are often asked by members to reassure them that their benefits are safe.

You will be pleased to hear that the Chairman of Unilever PLC, Niall FitzGerald, has stated that: 'Unilever continues to stand behind the Fund and is fully committed to it for as far forward into the future as any of us can see.'

Fund performance

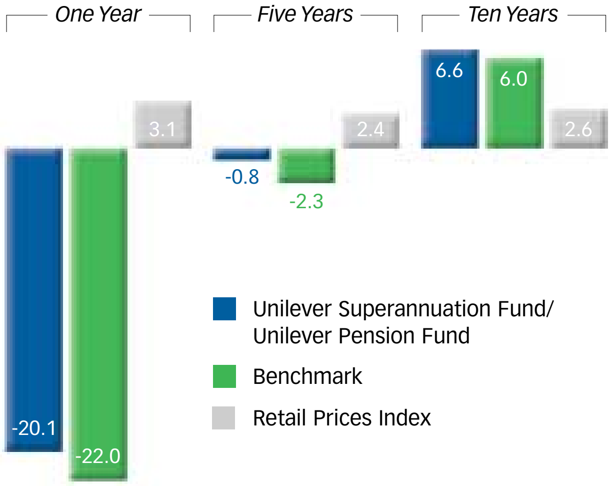
Let us look at the Fund's investment performance based on the most recent Report & Accounts for the year ended 31 March 2003. Over the last three years the stockmarket has fallen considerably and this has been reflected in the value of the Fund.

The size of the Fund at 31 March 2002 was £4,185m and by 31 March 2003 it was £3,128m. After paying out pensions and other benefits during the year, the Fund value fell by just over £1000m.

However, notwithstanding the losses which the Fund has suffered, the investment managers, as a group, have outperformed their collective benchmark over the last year. Of course, one year is a very short time in the life of a pension fund. What is more important is that the managers have continuously beaten the benchmark over longer five and ten year periods to 31 March 2003, as you can see in the graph opposite.

Investment Performance to 31 March 2003

Rates of return (%)



Results of the actuarial valuation

As mentioned in last year's Staying In Touch we now have the results of the triennial valuation and the Investment Strategy review to report.

The actuarial valuation dated 31 March 2002 showed that there was a small past service surplus in the Fund. This means that on that date there was slightly more money in the Fund than was necessary to cover the cost of the future benefits which had been earned up to that date. This calculation was made on the assumption that the Fund would continue in existence for many years into the future.

The actuary also stated that by the time his report was finalised (November 2002) there had been significant falls in the prices of equities and rises in the prices of bonds, since 31 March 2002.

Last November, when considering the results of the 2002 valuation, Chris Lewin, Head of UK Pensions, commented that, 'Despite the recent turmoil in the financial markets, Fund members can be reassured that they have a high degree of protection from the combination of the assets held by the Fund and the commitment from Unilever. Very careful consideration will be given in the next few months to the question of whether any additional steps may be necessary to increase that protection still further'.

Since then, the trustees, the company and the actuary have been closely reviewing the funding framework and a special interim valuation will take place, as at 30 September 2003, to update the trustees and the company on the financial position of the Fund.

Employee contributions

The surplus was judged enough to allow the member and company contribution holiday to continue until December 2002. From January 2003 the actuary recommended that contributions were reinstated and the trustees accepted this recommendation, though only half rate contributions (9.2%) are being paid in 2003, with the full amount being payable from January 2004 onwards.

As a deferred pensioner you will not be asked to pay any contributions to the Fund.

Investment strategy

The Investment Committee reviewed the Fund's investment strategy in 2002. The review included an asset-liability study by Hewitt Bacon & Woodrow and after receiving the results of the study the trustees approved a slightly modified investment strategy. It was decided to increase the allocation to bonds and property, and decrease the allocation to equities from 74% last year to 66% this year. This did not imply any lessening of a commitment to equities as suitable for a long-term investor like the Fund, but rather it was in recognition of the gradually increasing maturity of the Fund as the ratio of pensioners to employees increases.

If you would like a copy of the full Report & Accounts or the actuarial valuation, please write to the Fund Secretary c/o UKPD.

Proposed government changes to pensions

This June the Department for Work and Pensions (DWP) published a major set of proposals to improve the pension system. The paper followed on from a Green Paper, issued by the DWP and the Inland Revenue in December 2002, which contained a number of proposals for consultation. Industry experts and employers sponsoring pension schemes, including Unilever, contributed to the consultation. Most of the changes are likely to come into effect in April 2005.

The government has decided to tackle pensions reform in two areas. The DWP has been looking at improving the general framework of pensions legislation, while the Inland Revenue has been looking at the technical details of how much people should be allowed to save and receive.

One of the government's proposals will have a direct impact on early retirement and this could affect you as a deferred pensioner. If you are planning to start to draw your deferred pension at a reduced rate between the ages of 50-55, you should be aware that the government is proposing that pensions can only commence from age 55 or later from 2010 onwards.

A follow on paper is expected from the Inland Revenue by the autumn of this year. Consultation will continue on certain proposals. When more information emerges, Unilever will investigate how the government's recommendations will influence the Unilever Pension Fund. We will keep you up to date on developments.

Stop press...Stop press...

We were delighted to learn recently that the Unilever Pension Fund has, as in 2001, won the 'Pension Scheme of the year award' from Professional Pensions magazine. Many UK companies entered for the awards, including some well known household names. Additionally, Chris Lewin, head of UK Pensions, was named Pensions Manager of the year at the same awards. Chris is leaving Unilever at the end of 2003 and will be replaced by Nigel Biggs, who currently works in Unilever's Corporate Pensions department.

6 Improvements
and changes to the UPF

In addition to reintroducing contributions, the following improvements and changes will also be made to the Fund;

Pensions for disabled dependent children

The trustees now have the discretion to pay lifetime child pensions to severely disabled children irrespective of the age of the child when the member dies. Previously a disabled child had to be aged under 18 (or 23 if still in full time education) when the member died in order to be eligible for a lifetime child's pension at the discretion of the trustees.

Revaluation of Deferred Pensions

As you have left pensionable service before reaching Normal Retirement Age, you are entitled to have your benefits revalued in accordance with statutory requirements and the Fund Rules. For many years, as the calculation of the statutory increases is complicated, a simplified administration basis has been adopted for applying regulatory increases to some deferred pensions before retirement. In the past, this has resulted in member benefits being increased by a higher amount than would have been the case using the true method under the statutory requirements and the Fund Rules.

As things stood, this simplification expired in September 2003 and benefits coming into payment after that time would be calculated in accordance with the Fund Rules and Regulations. The good news is that the current simplified terms will be extended to apply to benefits coming into payment before September 2006, by which time it is expected that the government will have simplified the statutory rules.

Please note, however, that the trustees and the company each has the right to bring this discretionary practice to an end at any time, and to grant increases based on statutory entitlement and Fund Rules only. Should the discretionary practice be brought to an end, your pension might, if it commenced thereafter and before State Pension Age, be less than the figures shown on previous benefit statements. This discretionary practice does not apply to benefits coming into payment after 1 September 2006.

Pension Increase

The annual increase to deferred pensions has been brought forward from October to April with effect from April 2003. Revaluation of your benefits under the UPF Rules will in future be linked to the annual rate of inflation measured by the Retail Prices Index (RPI) announced in February. As before Increases in excess of 5% require the approval of Unilever Plc.

The increase given in April 2003 was based on the six month increase in the RPI from July 2002 to January 2003 plus a further adjustment, calculated by the Actuary to ensure that no pensioner or deferred member was worse off as a result of the change in pension increase date.

The April 2003 increase was 2%.

This is made up of 1.4% being the RPI increase from July 2002 to January 2003, plus a special one off adjustment. This is because the RPI Index does not go up steadily each month of the year. It tends to make a 'jump' in April each year because of increases in council tax, and post budget increases in tax on alcohol, cigarettes and petrol, which all happen early in April. The effect of this seasonal imbalance creates a paradox - pensioners might actually be slightly worse off, even though their increase date has been brought forward. This is because the April 'jump' used to get picked up in the October pension increase but in future will not get picked up until the following April.

To overcome this, the Fund's actuary studied the detailed monthly figures for the RPI over 20 years from 1982 to 2001 and worked out that a special one off increase of 0.6% was needed at 1 April 2003. If the future follows the pattern of the last 20 years, this extra increase should ensure that no pensioner or deferred pensioner will be worse off as a result of the change in increase date.

'To supplement your UPF pension you could... pay AVC's or FSAVC's... invest in an ISA... Stocks and shares... or property'.

Are you ready *for retirement?*

Everyone who receives this magazine has one thing in common. You all have some provision towards your retirement held in the Unilever final salary pension scheme. According to the recent DWP study **'Pensions 2002: Public Attitudes to pensions and saving for retirement'** this puts you in a more secure position than many of the British working population when it comes to your retirement.

The study looked at the private pension provision of people of working age living in Britain and what they thought about pensions and saving for retirement. It showed that everyone's attitude towards saving is different. Most people thought putting money in a pension was a secure means of saving for retirement. This suggests that despite the high profile given to the pensions industry - and its problems - in recent years, most people of working age regard a pension as secure.

So how would you compare with the rest of Britain when it comes to saving towards retirement? Below are some of the questions asked by this survey, and some of the results...

Q **Do you have any private pension provision?**

A Almost 7 in 10 had had a private pension at some point but only just over half currently had one.

Q **Do you have a good knowledge of pension issues?**

A Only 13% of people of working age thought they had a good knowledge of pensions issues.

Q **Have you thought about your retirement arrangements?**

A 70% of people said they had given 'a lot' or 'some' thought to their retirement arrangements.

Q **At what age would you like to retire?**

A The average desired retirement age was 60, although most expected to retire before or after this age.

More women than men expected to retire at 60, even those who would not receive their State Pension till 65.

Q **How long do you think your retirement will be?**

A Most people expected a long retirement of 20 years or more. A third of these people had no private pension provision.

Q **What would you expect your income in retirement to be?**

A 9% thought they knew what their income in retirement would be.

Just over half those surveyed of working age considered less than £250 per week to be adequate to live on if they retired today. The amount people considered to be enough to live on was related to their current income levels. For just over half the respondents the weekly amount they felt would be enough to live on if they retired today was equal to or more than their current weekly income.

So how well do you think you are prepared for retirement?

One way of finding out is to use the Wealthcheck feature on our website at **www.myupfpension.com**, which allows you to compare your pension income in retirement to your expenses to see if you will be able to maintain an adequate standard of living. Once the deferred statements are online you will be able to login and automatically use your own personal data, but until then you are able to look at the Sample area of the site where you can input your own figures.

If you think your savings are not enough to allow you to retire on an adequate income there are a number of things you can do to supplement your UPF pension.

For example: If you are currently employed, have you joined your employer's pension scheme and if you have, have you thought about paying Additional Voluntary Contributions or Free Standing Additional Voluntary Contributions?

You may also be able to take out a personal pension or stakeholder pension plan or you could invest in an ISA, stocks and shares or property.

Whatever you decide, the earlier you start, the easier it is to plan a comfortable retirement for you and your dependants.

For expert advice please visit an IFA (see back page for more information on how to find an IFA).

AVC *issues*

New AVC provider to the Fund

When contributions to Equitable Life were stopped in August 2002, this left only one 'open' AVC provider to the Fund, Eagle Star. While the trustees have been happy with the service offered by Eagle Star, they felt that a second AVC provider would give members greater variety in both the type of company and the type of Fund they might wish to invest in. So from February this year the trustees appointed Standard Life as a second AVC provider to the Fund. This also enables members to continue to invest in a With Profits Fund if they wish, as the trustees decided the close Eagle Star's With Profits Fund to new entrants on 31 December 2002.

To give you an idea of how the two providers compare, some facts about both companies are listed below.

Eagle Star

- They have been an AVC provider to the UPF since January 2001. Eagle Star has been working in pensions for over 200 years and is a well established company.
- They are part of the Zurich Financial Services Group, which has offices around the world.
- The contributions held by them are invested on their behalf by Threadneedle, Zurich's primary active fund manager. They have over £43 billions in funds as at 30 September 2002, the latest date for which figures are available.

Standard Life

- They are an additional AVC provider to the Fund.
- They were established in 1825 and have been providing pensions for over 90 years.
- They are the largest mutual life assurance company in Europe with 12,000 employees.
- They currently have in excess of £75 billion in funds under management worldwide.

If you would like more information about transferring your AVC Fund to another fund or the other provider please contact UKPD for more information. Alternatively transfer forms are available on our website.

Update on buying added years

In addition to investing in AVCs with Eagle Star or Standard Life the trustees have decided to allow members to use their AVCs to purchase added years of pensionable service in the UPF. Currently your money is invested in a personal account up to the time you retire. At retirement the amount you have in your fund is used to buy an extra amount of monthly pension for the rest of your life. The amount of extra pension you get depends on the amount you have contributed, how well your investment fund performs before retirement and the financial terms on which you convert your AVC fund into pension at retirement. The new option allows employee members to purchase extra years and months of pensionable service in the UPF to add to your normal pensionable service. The trustees have also decided to offer deferred members a one-off, once and for all, chance to convert your existing AVC fund into a deferred pension. Your AVC Fund will then be invested alongside the other assets in the UPF. An actuarial calculation will be done to work out how much extra deferred pension can be bought with your AVC Fund and this additional pension will be added to your pension record. This means your pension will not depend on external factors such as investment performance or the cost of a pension when you retire.

This may or may not be of benefit to you and you will have to consider the options very carefully. This option should be available next year and UKPD will contact you if you are affected by this nearer the time.

I need some advice...

It's only natural that many people ask the Pensions Department what they should do on pensions matters especially with the potential changes in your benefits to consider.

However, we are not allowed by law (the Financial Services and Markets Act 2000) to give any form of financial advice. We can and will give as much information as we can to help you make a decision but if you need advice you could consider seeing a financial adviser.

The Financial Services Authority website **www.fsa.gov.uk** (or call their consumer helpline on **0845 606 1234**) is a good place to find out more about the type of products on offer. If you want a list of independent financial advisers visit **www.ifap.org.uk**.

Designed & produced by Bleach Communication Consulting Ltd. Printed on environmentally friendly paper. SIT10/2003