Staying in Touch

Unilever pensions

This is the fourth edition of Staying in Touch. We recently carried out a survey of a representative sample of our readers and the results were very encouraging.

As deferred pensioners - people who have left the Unilever Pension Fund (UPF) but will receive a pension from Unilever when you retire - you represent the most diverse group in the UPF family. You could be 20 or 64 or any age in-between. You could be working for another organisation, self employed or not working at the moment.

Whatever your situation, you still have a stake in the pension fund - after all the benefits you have earned are guaranteed. We hope this newsletter helps you to stay in touch with pension issues that are relevant and interesting to you.

There's more on the survey results on page 2 but what came through loud and clear was that:

- many of you wanted to know more about your deferred pension (see page 3)
- you wanted an update on the Equitable Life situation (page 4)
- you wanted a straightforward jargon free guide to the whole subject of pensions - not just your UPF pension (see our back to basics and State pension articles on pages 6 and 7)

The world of pensions has been very much in the news at the moment and we've included an update on all the pensions issues that might affect you on page 8.

How to contact us

If you have any queries about your deferred pension, or if you have recently changed your address, or are about to do so, please let us know. The internet site at www.myupfpension.co.uk has a form to help you. If you are not able to access the internet, it would be very helpful when writing to us if you could indicate clearly:

- 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

Inside

Unilever

October 2002

In 2001 we repeated the customer satisfaction survey we ran in 1999. The survey takes the form of a series of wide-ranging questions, asking randomly selected members what they feel about the service they receive from UKPD, how they would like to receive information about the fund, and their opinion of the magazines we send out.

It was the 1999 survey that showed a desire among you, the deferred members, for regular routine information on issues affecting you and this led to the birth of 'Staying in Touch'. Therefore in the 2001 survey we were keen to find out what you thought about this newsletter. We were also eager to learn whether or not our efforts to improve our service had been noticed.

One of the most frequent requests from deferred members is for a benefit statement, and we had hoped to be able to produce benefit statements for you automatically by now. Unfortunately this has proved more difficult than we had initially thought. As noted on page 1, you are a diverse group of members, who have become deferred members under the UPF due to a variety of reasons. Although when members are brought into the UPF their benefits are standardized, some members may have different elements of benefits relating to historic arrangements from previous employers as was the case, for example, for the Bestfoods members we welcomed into the UPF in January 2002.

Although we can (and do) produce benefit statements manually for you on request, we want to get to the position where we can produce statements for you regularly every year, and send them to you automatically. However, we would also like to ensure that the information you would receive on a benefit statement is meaningful.

We are, therefore, about to run statements for a small pilot group of deferred members, with straightforward benefits, and seek their feedback on them so that, when we are in a position to issue statements automatically to the majority of you, which will be during 2003, they will be in a format and with content that will be of real help to you.

Meanwhile, thank you for your continued patience.

Survey results
- *what you told us*

As in 1999, all members were asked to rate their satisfaction with our service on a scale of 1-10, with 10 indicating extreme satisfaction. We are pleased to report that the satisfaction rating among deferred members had improved. This result was also borne out by the ratings received via short questionnaires sent out to members, over the period April to May 2001 and October to December 2001. The comments and opinions you volunteered about 'Staying in Touch' were also complimentary.

However, we are conscious that there are some areas where we still need to improve, and we are working on these.

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 Hannah Clarke at the address on the previous page or you can email her on Hannah.Clarke@unilever.com.

Equitable Life

When you were working and building up the pension you now have ‘preserved’ in the UPF, you may also have made Additional Voluntary Contributions (AVCs) to boost your pension in retirement. You may have paid AVCs to the Equitable Life, and may still have funds held with them. Alternatively, you may have funds with Eagle Star, the AVC provider we added to the UPF in January 2001. (Of course, if you became a deferred member as a result of a company acquisition, you may have AVC funds with other providers.)

If you have an AVC fund with Equitable Life or Eagle Star, you should have received your AVC statement(s) in June, and those of you with funds with Equitable Life should have received updates about the situation of the With Profits Fund in May and July. You can see this information on the newsflash page of our website - www.myupfpension.co.uk, where you can also trace back newsflashes on this subject to December 2000.

The Trustees are keen to offer an even wider choice of AVC providers and recently appointed a third AVC provider. Subject to the necessary contractual arrangements being completed, this third provider should be in place by the end of the year.

Trustees’ statement of ethical values

Recently in the press there have been stories of the unethical financial behaviour of companies such as Enron and WorldCom. It is now more important than ever for companies and pension funds to be able to demonstrate that they are following ethical principles in their activities. The Trustees of the UPF already have a policy that social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments, to the extent that they are relevant, in assessing the future investment prospects of specific investments. The Trustees receive reports each year from their investment managers showing how they have applied these principles to various investments.

However, Trustees have now decided to go a step further and they have adopted the ‘values’ shown below. These values are not restricted to investment matters but extended to all the Trustees’ activities. They will be a reference point when decisions have to be made in future. The Trustees feel it is right that members of the Fund should be aware of these values and their importance.

Responsible stewardship

We believe in the efficient and transparent execution of all our legal and fiduciary responsibilities. This includes responsible selection of investments considered to be in the Fund’s interests.

Objective judgements

We will not let our personal opinions or sectional interests intrude upon our duties as trustees.

Fairness in respect of people

We believe that people ought to be treated fairly, and their human rights respected.

Environmental awareness

We believe in the conservation of the world’s resources and we support the aim of progressing to a more sustainable world.

Openness

We believe in openness, subject to preserving confidentiality when necessary.

Equitable Life / Trustees’ statement of ethical values

How to get your deferred pension benefits

Feedback has shown that many of you would like to know more about your deferred pension. So, as last year, we have given the answers to your most commonly asked questions.

Am I entitled to a deferred pension?

You will be entitled to a deferred pension if you left the Fund:

- after age 50 or
- before 6 April 1988 and were an employee member of the Fund for 5 continuous years or
- after 6 April 1988 and were an employee member of the Fund for 2 continuous years.

How is my pension worked out?

Your Fund pension was worked out when you left the Fund and was based on the time you had been a member of the Fund. When you come to draw your pension, you may be able to take a tax-free cash sum as well as a pension, (although this may mean giving up some of your pension in exchange for the cash sum). What's more, if you have people who are dependent on you, such as a spouse or children, they will receive a pension when you die, if they fulfil the eligibility conditions.

Note:

If you became a deferred pensioner after April 1978, and you joined the USF before April 1997, you are entitled to a Guaranteed Minimum Pension (GMP) based on your National Insurance earnings. From the date on which the GMP is payable, your Fund pension, once it commences, will not be less than your GMP. The GMP is revalued up to the date it is payable according to statutory rules.

Is my pension increased?

Your deferred benefits will receive regular increases both before and after you retire, if the cost of living increases.

This year's annual Unilever Pension Fund increase will be 1.5% and is based on the annual rate of inflation announced in August 2002, according to the official Retail Prices Index. The increase will take effect on 1 October 2002. If you left the Company's service after 1 October 2001 you will qualify for a proportion of this increase on a sliding scale.

Once in payment the annual UPF increases will not apply to the GMP element of your pension (if any), once your GMP is in payment (at State Pension Age). However, any part of your GMP earned for service from April 1988 onwards will be increased by the UPF once in payment in line with inflation up to a maximum of 3% per year. If inflation exceeds 3% and/or you were a member of the USF before April 1988, you may receive further increases with your State pension to protect the value of your GMP in payment.

How do I get my benefits?

Normal retirement

A few months before your benefits are due, we will write to you to explain your options. This is one of the reasons why it is vital that you keep us up to date with any changes of address.

Once you have replied to our letter, we will write to you to finalise the details.

A few days before your first payment, we will send you a Pension Payment Statement, giving details of all future monthly payments up to the end of the tax year.

Early retirement

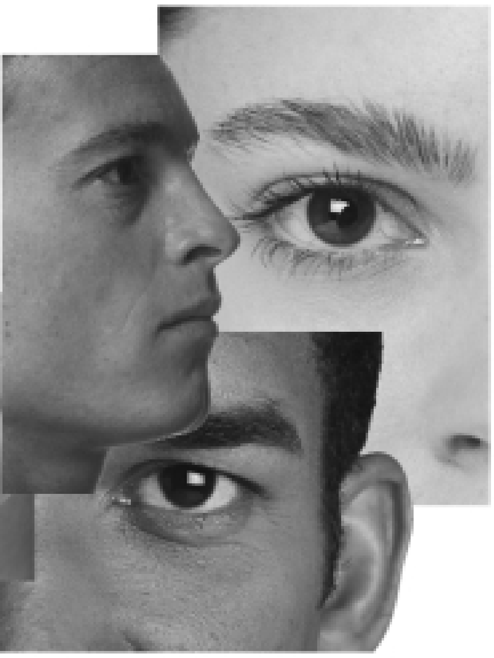
It may be possible for you to take your benefits before your normal retirement date but they will be reduced in amount for early payment. The earliest age you can do this is 50. There may also be the provision to retire early at any time, on grounds of serious ill-health or permanent incapacity, under certain extreme circumstances and subject to the Trustees' agreement.

Retiring outside the UK

Some of our pensioners live outside the UK, and there is no problem in paying pensions to overseas banks. However the transfer of money might take a day or two and, of course, the pension is paid in UK Sterling, so you must stand any loss, or benefit from any gain, caused by fluctuating rates of exchange. If you do retire abroad, we will supply the necessary tax forms.

PLEASE NOTE - If you have never been an employee member of the UPF or USF, the benefits outlined on this page may not necessarily apply to you in full.

Facts & figures
from the pension fund



In Staying in Touch we normally review the Fund's progress based on the Report & Accounts for the year ended 31 March. However this year, given the continuing volatility of world markets, it seems appropriate to extend the review to the end of July, the latest period for which figures are available as we went to print.

The UK stock market fell in 2000 and again in 2001. Over the first seven months of 2002 the market fell by a further 19% and at the end of July was some 37% below its end 1999 peak. Much of this collapse is attributable to the bursting of the dot.com bubble which had pushed world stock markets to unsustainable levels. Now, driven by fears of further accounting scandals and concern over the state of the economy, the US stock market remains weak and a substantial recovery in the UK market is unlikely to happen without corresponding strength across the Atlantic.

However, it is not all bad news. The Fund's 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 beaten the benchmark over longer five and ten year periods to 31st March 2002, as you can see above.

This is also the year of the Fund's triennial actuarial valuation. At the same time the Investment Committee is conducting a review of the Fund's investment strategy. This review will take account of the outlook for different types of investment and the Company and the Trustees' current appetite for risk.

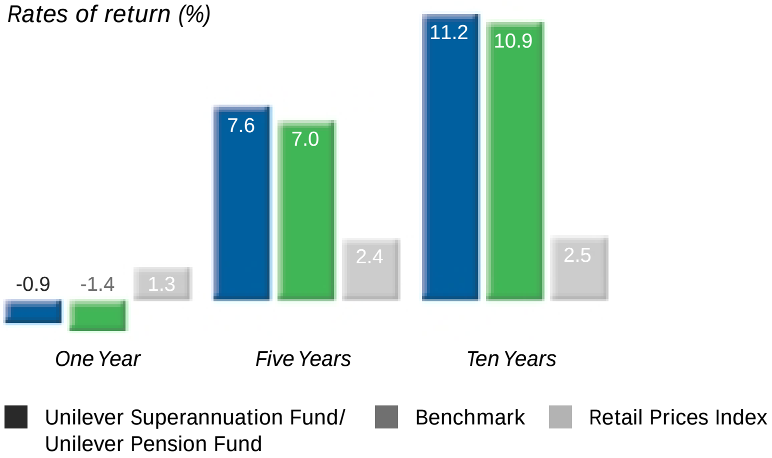
Size of Fund

at 31 March 2001: **£4,243m**
at 31 March 2002: **£4,157m**

After paying out pensions and other benefits during the year, the Fund value fell by £86m.

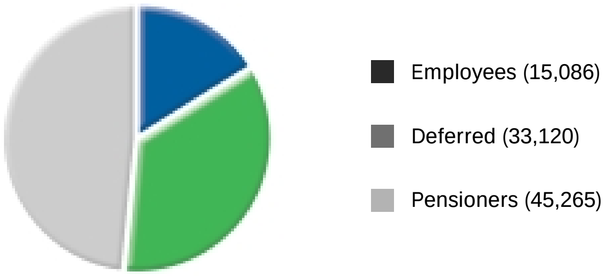
Investment Performance to 31 March 2002

Rates of return (%)



UPF membership

at 31 March 2001: **93,471**



The last two and a half years have been a painful period for the Fund and the Investment Committee must decide whether the current investment strategy remains appropriate or whether to recommend changes to the Trustees. The outcome of both the valuation and the strategic review will be reported in next year's Staying in Touch. However, it is worth noting that Niall FitzGerald, chairman of Unilever PLC, has again confirmed the Company's support of the UPF noting, at the Company's AGM in May 2002, that "There is no danger to the Unilever Pension Fund: it will continue as a defined benefit scheme, and will continue as far forward into the future as any of us can see."

The full UPF Report & Accounts for the year ended 31 March 2002 are available on request from UKPD *(see page 1 for contact information).*

Back to basics

Pensions can seem very complicated but, going back to basics, they are simply a way of saving to provide an income when you retire.

If you were really disciplined you could do this yourself - invest a regular amount each month and then use the money for your retirement.

Pensions however have a few advantages over just saving for yourself:

- The Government gives you a tax break - your contributions are invested tax-free
- If your contributions are taken out of your salary/earnings you can't succumb to temptation and spend the money before you retire.

There are also a couple of limitations against other forms of investment:

- You have to take most of your money as a pension rather than as a cash lump sum
- Some types of pension (although not the UPF) have quite high and complex charges, although this is improving with the introduction of stakeholder pensions.

Since you can no longer contribute to the UPF, you may be in another type of pension scheme. Let's take a brief look at some of the different types of pensions available. You can read about the Basic State Pension on page 7, so we'll start with...

Company schemes

Company pension schemes (also known as occupational schemes) tend to be of two types:

- Final salary
- Money purchase

Final salary

The UPF is an example of a final salary scheme, where your pension is based on your salary when you retire or leave the scheme. The main advantages of this type of pension scheme are:

- You know what you have to pay - contributions are fixed as a percentage of your salary
- You know what you're going to get - a percentage of your final salary
- You don't have to bear the investment risk
- There may be other benefits such as life assurance, ill-health pensions and a pension for your partner and/or children.

On the other hand, the company has to bear the investment risk since ultimately if the money in the pension scheme's investment fund is not enough to pay for the pension scheme benefits it will have to contribute more. This is why many companies are switching from final salary to money purchase schemes.

Money purchase

In this type of scheme your pension will be based on the contributions you make and how your investments have performed. So, the main features of a money purchase pension are:

- You, and in most cases your employer, contribute into your own personal fund
- You decide what type of fund you want to invest in - an interest bearing account, shares, property etc.
- When you come to retire, this money, together with returns from your investment, is used to buy a pension.

The amount of your pension will depend on how much you have contributed, how your investments have performed and how much it will cost to buy the annuity that will provide your pension. It is impossible to predict until you come to retire.

Stakeholder pensions

You may have read about stakeholders in the press. These operate in much the same way as money purchase schemes except that:

- Charges are fixed at no more than 1% of the value of the fund
- You can contribute to a stakeholder even if you aren't working.

What next?

Many of us tend to switch off when pensions are mentioned - they seem confusing and difficult to understand. But they are just another way of saving and everyone agrees that it is vital to put money aside for your retirement.

You've already made a start with your UPF pension but you need to ask whether it, together with the Basic State Pension, will be enough. We hope this article has demystified pensions enough for you to find out more. The Financial Services Authority (FSA) produce guides and factsheets about pensions - call their helpline on 0845 606 1234, or check out their website - www.fsa.gov.uk/consumer.

What pension will I receive from The State?

This is a question a lot of people ask as they start to approach retirement, particularly if they are thinking about retiring early, as it helps to give them a picture of their total likely benefits.

State Pensions are currently payable from the State Pension Age, which is 65 for men and 60 for women. The age for women is however being increased to age 65 and this will be phased in between 2010 and 2020. We would stress however this will have no bearing on when your preserved benefits in the Unilever Pension Fund become payable.

How much will I receive?

The amount you will receive from the State depends on your individual circumstances, mainly revolving around your employment history. If you have full National Insurance (NI) history, that is if you have worked for at least 44 years for a man and 39 years for a women, you will receive a Basic State Pension of £75.50 per week. There are instances where years of NI Contributions or Credits as they are known, can be awarded without cost, for example, whilst a person is on long term sickness or unemployment during which time they are signing-on. Also in the case of men, if you cease to work from age 60 your record is credited with five years for the years between 60 and 65.

If you do not have a full NI history the amount of pension you receive will be reduced accordingly.

In addition to the Basic Pension you may qualify for a Graduated Pension - an additional scheme the State ran from 1961 to 1975. You may also be entitled to a SERPS Pension from contributions paid after 1978. The amounts from these later arrangements will depend upon whether you were a member of a contracted-out pension arrangement via your company or via a personal pension.

What if I am married?

If you are a married man, you may also receive an additional allowance for your wife if she is not entitled to a pension from the State in her own right, or if the pension she is receiving is very small. It will also depend upon her age but the maximum amount is £45.20 per week.

What about the State Second Pension?

The State Second Pension (S2P) replaced the State Earnings Related Pension Scheme (SERPS) from this April, and is an additional state pensions scheme. While you were an employee member of the UPF, you would have been contracted-out of SERPS (and S2P). Your UPF pension will include benefits equivalent to those you would have received under SERPS (and S2P) had you not been contracted-out. You may still, however, be entitled to some pension from the State because of other employments where you have paid into SERPS, or similar arrangements prior to the introduction of SERPS, or S2P.

How can I find out more?

To receive a forecast of your State Pension entitlement you need to complete Form BR19 which can obtained from your local Dept of Work and Pension (DWP) Office or by telephoning 0845 731 3233. You can also find out more by logging on to the DWP website on www.dwp.gov.uk.

You will then receive a forecast of your State Pension together with details of any shortfall in contributions/credits that you can make in order to receive a full pension.

What will happen if I do nothing?

The DWP will write to you approximately three to four months prior to your State Pension age inviting you to claim you pension.

Other useful publications

Whilst thinking about retirement, there are various books and publications available to assist people with their retirement planning. One that we can recommend is published by ‘Choice’. It is called ‘Successful Retirement’ and is updated each year in the spring to incorporate the latest tax and benefits rates.

Update on pensions issues

Watch that transfer!

Transferring your benefits can be perilous. Not only has there been the misselling scandal (see article bottom right of page) but recently there have been a few high profile cases where people have fallen victim to schemes claiming to liberate their pension funds before retirement, usually with disastrous results from the point of view of their long-term security.

As a deferred pensioner you have the option to transfer your UPF benefits either to another employer's pension scheme or to a personal pension. We thought it might be a good time to look again at what you should consider if you're thinking of transferring your deferred pension into a personal pension scheme.

- Your UPF benefits are guaranteed - no matter what investment conditions exist when you retire, you are guaranteed a set pension amount. Personal pensions deal in 'pots of cash' from which you must purchase an annuity when you retire. There is no way of knowing how much your pension will be until you retire. In effect, you bear the mortality and interest rate risk at retirement, as well as the investment risk prior to retirement.
- There are no charges for looking after your UPF pension. Often on transferring to a personal pension, there is a commission payment made to the advisor - a payment that will come out of your transfer amount. Once the pension transfer has been completed, you may also have to pay regular policy fees.
- Your UPF pension receives annual increases roughly in line with inflation. You might have to pay extra into a personal pension to receive increases.

There are a number of other factors such as early retirement and the financial security of your personal pension provider which are definitely worth considering before you decide whether to transfer your UPF pension.

Just tell me what to do!

We look to experts for advice when something is complicated and it's only natural that many people ask the Pensions Department what they should do on pensions matters.

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 (for example, if you are considering transferring your pension - see article above) but if you need advice you could consider seeing a financial adviser. These advisers are regulated by the Financial Services Authority and offer two different types of advice:

- Tied - this means that they can only offer the financial products of the company they represent or work for.
- Independent - they can offer financial products from more than one company.

Please note, however, that the way in which Financial Advisers provide financial advice is currently under review .

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.

How well do we know you?

Since you left the Company have you changed your circumstances or marital status - if you have, have you told us?

Unfortunately, sometimes we only find out about these things when you have died.

This can make a sad process even more distressing than it needs to be for your family and dependants, as it is often necessary for us to ask difficult and personal questions of them at a time when they are grieving. They will also need to forward to us various certificates or documents in order for us to pay what is due. All this can be avoided if you keep us up to date with your circumstances.

If you have changed your marital status, please forward the relevant document or certificate and in the case of marriage please also send your spouse's birth certificate.

Finally, how up to date is your nomination form for Lump Sum Death Benefit? If this is not up to date any lump sum due may not be paid to the person or people you would wish to receive it. If you have never completed a form the Trustees of the UPF will use their discretionary powers to decide who the beneficiaries will be, but again this may not be who you would wish to receive it.

To obtain a fresh Nomination Form please telephone our Helpline on 0207 822 6050 or write to the Pensions Department. Alternatively you can download a form from our website on www.myupfpension.co.uk.

Last chance for compensation over a mis-sold personal pension

The FSA (Financial Services Authority) review on the mis-selling of personal pensions is coming to an end. It discovered that more than 1.5 million people were mis-sold personal pensions and warned that the total compensation due to them will be around £11.5 billion

If you were encouraged into opting out of a pension fund or transferring preserved benefits into a Personal pension arrangement, between 29 April 1988 and 30 June 1994, you should contact the Insurance Company concerned and ask for your case to be reviewed. Insurance Companies were supposed to contact the relevant clients where mis-selling may have occurred, but there is no harm in you checking with them, particularly if you have moved house and they may not have your up to date address. If in doubt, check now!

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