

## AVCs – the latest by Stephanie Gates

### Increased Flexibility

In July 1999, the Pension Schemes Office of the Inland Revenue issued complex new rules to allow more flexibility for the use of AVC funds. Members can now draw their AVCs separately from their main Fund benefits. However, this new flexibility is not automatic and will only be made available to Fund members if the Trustees agree.

This was discussed at the Trustee meeting in September last year, following which detailed work to analyse the advantages and disadvantages of the various options was carried out and advice sought from Slaughter & May and Bacon & Woodrow, the Fund's legal advisers and actuaries respectively, as well as Equitable Life. A paper detailing the findings and making recommendations was produced for the December Trustee meeting. It was recognised that the new arrangements would make the AVC scheme excessively complicated. The recommendation from UKPD, which the Trustee agreed, was that this flexibility should not be offered now but the position should be reviewed if there is evidence of strong demand from the membership.

### Conversion Factors

At the December 1999 Trustee meeting, Bacon & Woodrow recommended that revised factors should be implemented for the conversion of AVCs to additional retirement pension. The Trustees agreed this proposal at their March meeting and authorised UKPD to implement the change

from September. Members with AVCs will be contacted with the details in the next few months.

### Update on Equitable

Reports in the Press last year highlighted an issue concerning with-profits policies and the payment of the final bonus where guaranteed annuity rates apply. This issue affects Equitable and some other life insurance companies.

Because of this publicity, Equitable decided to seek a court judgement to confirm that the approach they had been adopting was permitted. Bacon & Woodrow investigated this on behalf of the Trustees (as the AVC arrangements are legally part of the Fund) and were satisfied that Fund members are currently not being adversely affected. In September 1999 the High Court found in favour of Equitable, stating that the Society had been within its rights to vary the final pension bonus payment to guaranteed annuity rate policyholders. However, the matter went to appeal and on 21 January the Court of Appeal ruled against Equitable. Equitable then appealed against the decision and the House of Lords considered the case on 12 June. The Lords' verdict may be available some time in July.

The Trustees will continue to monitor the situation in consultation with Bacon & Woodrow.



Stephanie Gates

## UKPD adopts Total Quality Management by Chris Lewin

People tend to think of Total Quality Management (TQM) as being applicable to factory production. However, it is just as relevant for "service" departments like UKPD.

As many of you will know, it is all about having a holistic approach with a systematic, disciplined and well-thought out set of processes and procedures which ensure that output is invariably "right first time". In the case of UKPD, our service must always be clear, helpful accurate and timely. You should be able to rely on us to respond as a matter of routine within the times we have specified and to

deal with urgent matters at shorter notice where possible.

There is much to be done before we can fully achieve this. Our TQM co-ordinator has been appointed from within the Department. So far we have identified over sixty relevant development projects and we must devote part of our scarce resources to these at the same time as we continue with our normal tasks. Our aim is ambitious – to be providing not just a good service but a superb service by the end of next year.

# YOUR FUND

Summer 2000



summer edition...summer edition

## Focusing on our customers

Welcome to the Summer 2000 edition of 'Your Fund'. The main focus of this issue is you, the customer, and news of the work we are currently undertaking to improve our service to you. We have now reviewed all the responses received from last year's customer survey, and have already introduced some new initiatives. Details of these are given inside the newsletter. Further improvements will be introduced in the future and we will advise you as and when these happen.

In response to comments received in the survey, we are currently drafting a Customer Charter that sets out our service standards. This will be launched at the end of the summer.

Finally, as usual, we would like to hear your views on this edition of 'Your Fund'. Please contact Hannah Clarke (Pensions Communications Manager) with your comments or any items you would like to see covered in future issues of 'Your Fund' by email at [Hannah.Clarke@unilever.com](mailto:Hannah.Clarke@unilever.com), or by post at UKPD, Unilever House, PO Box 68, Blackfriars, London EC4P 4BQ.

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**UNILEVER**  
PENSION FUND

# Benefit improvements – an update

by Clive Pothecary and Stephanie Gates

The introduction of the Unilever Pension Fund (UPF) from 1 April 2000 provided the opportunity for a package of benefit improvements to be implemented for employee members. An update of where we are with these improvements is given below.

## Service Credits

Clive Pothecary of UK Pensions Department (UKPD) has provided each company with an excel spreadsheet to enable calculations to be made for eligible members who have requested a quotation. Once members have confirmed that they wish to pay for their service credits, the paperwork is passed to UKPD who check each case. Deductions from the member's pay then begin.



Clive Pothecary

Don't forget, if you are eligible for service credits and are interested in this option, all documentation must be completed by 1 October 2000.

## Family Benefits

**Child Pension** – in the event of the death of a member, a child pension has always been payable to an eligible child until they reach 18, or 23 if in full-time education. The definition of "eligible child" has been expanded to cover not only the children or

adopted children of the member but also grandchildren in the member's full-time care or children who live with the member but who "belong" to the member's partner (e.g. from a previous marriage) in the case of children financially dependent on a member.

In addition, the Rules of the UPF now allow (at the discretion of the Trustees) a child pension to continue in respect of a severely disabled child for the life of the child, even when that child attains adulthood. Several members have advised us of details of their disabled child which we have added to our records.

**Option to boost spouse's pension** – at the time of drawing pension benefits from

the Fund, members now have the option of giving up some of their own pension to increase the pension payable to their spouse in the event of their death. The amount payable is subject to certain restrictions and Inland Revenue limits.

Any member interested in this option should request a quotation before their date of retirement to allow sufficient time for details to be provided and for them to make a decision. So far only one or two members have made enquiries about this option.

## New Trustee Board structure

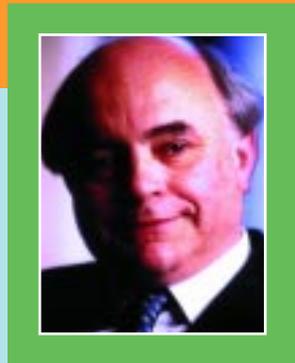
by Chris Lewin, Head of UK Pensions

The consultation process on the proposal to change the structure of the Trustee Board has now been completed and further details are given in the enclosed "Stop Press" insert.

Under the rules of the old fund, because of the legislation surrounding the election of Member Nominated Trustees, we could not change the structure of the Trustee Board until 2003. However, there was a feeling that the size of the Board was too big, given the drop in employee membership. We also believed that having a pensioner on the Trustee Board, elected by pensioners, would bring additional strength to the Board. Setting up the new fund, the Unilever Pension Fund (UPF), gave us the opportunity to implement these changes.

By law we were required to ask for the consent of

the members before proceeding with the changes to the Trustee Board. This is why we wrote to you at the beginning of June, via Electoral Reform Ballot Services, enclosing a booklet setting out the details of the proposal.



Chris Lewin

## SAVE OUR TREES!

This edition of 'Your Fund' has been printed on environmentally friendly paper and distributed to you in recycled envelopes.



# Pensions law moves on

by Kim Northwood, Senior Benefits Manager



Kim Northwood keeps you up to date with current pensions legislation

The world of pensions never stands still for long and new legislation which affects the Fund is continually being introduced.

The question of whether or not part-timers can claim backdated membership of pension schemes continues to be unresolved. The European Court of Justice (ECJ) recently gave a ruling on a

number of part-time cases referred to it by the House of Lords who were seeking clarification on time limits applicable to claims for backdating membership of pension schemes. English law imposes a 6 month time limit (after leaving service) for claims to be submitted and says that backdating of membership cannot extend beyond 2 years. The ECJ judgement states that the time limit for claims brought under European law must not be less than for claims based on domestic law. It also states that the 2 year time limit is contrary to European law. However, the court did not suggest what the appropriate limit should be. The matter is now with the House of Lords who are expected to rule on these issues, possibly as early as this July. Once the full legal position is known the Company will reconsider its position.

In the meantime anyone is entitled to make a claim if they feel they have a case, but should not assume that they will gain a result in their favour.

New legislation covering divorce comes into effect on 1 December. However, this will only affect divorce proceedings that start after that date. The new rules permit pension rights to be "shared" in the same way as other assets, allowing couples to become financially independent of each other and achieve a clean break divorce. If a pension scheme is served with a "pension sharing order" it can either transfer the spouse's share out of the scheme or choose to pay the spouse's pension from the scheme at the spouse's retirement. We shall soon be consulting with the Trustees about how the UPF will deal with pension sharing orders, but if you have any queries in the meantime please contact your personnel

department or UKPD direct.

Stakeholder pensions become available to the public in April 2001 and you are likely to see them advertised widely towards the end of this year. They are designed to be cheap and simple pension arrangements that will encourage people without any pension provision to save for their retirement. The Company is required to offer access to a stakeholder scheme from October 2001 for all employees not eligible to join the UPF.

In April the Government published a report called "Winning the Generation Game - Improving Opportunities for People aged 50-65". At the same time it made Alistair Darling "Cabinet Champion for Older People". The report contains a section on pensions which, among other things, covers the need to increase understanding of pensions issues and highlights the cost of providing a decent pension in retirement. It also suggests that the Inland Revenue's ban on taking a pension from a company scheme



whilst still working for that same company be reviewed. The aim would be to allow people over 50 to work reduced hours on lower pay and draw part of their pension to fill the gap until retirement.

The part of the report which received most publicity was the conclusion that the minimum age at which members can take early retirement should be raised from 50 to 55. The suggestion is that this

change should be made between 2010 and 2020. Even if this recommendation is implemented in its current form, those currently over the age of 40 will continue to be able to retire from age 50 on a reduced pension.



## Getting to know our company contacts by Dave Blantern



Dave Blantern

Some of our key customers are HR and Payroll contacts at the operating companies. These are often the first people to whom members turn when they have a query regarding the Fund and are an important link between the members and ourselves. Therefore, it is

important they have sufficient pensions knowledge and the correct tools to carry out their role successfully. We decided to survey them to find out their views on:

- the service we provide
- the standard of our pensions communications

- the standard of our training

We received 31 replies to the survey, from a mix of people working at several locations.

The respondents were asked to give a rating between 1 and 5 on various aspects of our service, with 1 being the lowest and 5 the highest. I am pleased to report that 94% of the respondents gave a rating of 4 or 5 for the standard of our overall service. Favourable ratings were also given when asked if we were friendly, considerate and knowledgeable.

One area where they were less happy was our response times, with 39% giving a rating of 3 or less. Part of this problem is due to the fact that we are still familiarising ourselves with the new administration system, Profund, whilst at the same time receiving an increased volume of queries and

## UK Benefits team opens its doors by Marie Sutton and Darren Foster, UK Benefits Group



The open day team, from left to right: Elisabeth Smith, Darren Foster, Mandy Harrington, Marie Sutton, Dave Branch, Kim Northwood and Sarah Barnes

In May, we invited our HR and Payroll contacts to a number of 'open days' at Unilever House. The main purpose of the open days was to assess the current level of service provided and compare this with the level of service expected by our contacts. It was also a good opportunity to get to know each other and put a face to the name.

The response was very good, with 41 people from

21 different sites attending. Much of the time was spent understanding where each of us fit in to the organisation, what we do, how we do it and why we do it! We also discussed our various strengths and weaknesses and suggested areas where we could improve.

At the end of the open days there was a greater understanding between all of us and we hope this will help us continue to provide a good level of service to all members.



From left to right: Teresa Martine (DiverseyLever), Richard Forrest, Mandy Harrington, Elisabeth Smith (UKBG) and Lorraine Gallagher (DiverseyLever)

