your fund
your future

www.myupfpension.co.uk
summer 2003

Unilever

Contents of **your fund**

This edition of **your fund** has been printed on environmentally friendly paper.

relax ...
you're in good hands

Welcome to the summer edition of your fund.

As usual it's got all the news you need to know about your UPF pension including the latest on the Annual Delegates' Conference, the impact of the Government's recent pensions White Paper and the pensions modelling facility offered by our website **www.myupfpension.co.uk**.

It's all here. But probably the most important news we have for you is that regarding the security of the UPF and Unilever's ongoing commitment to you and your pension.

As the pensions market continues with its shake up we can confirm that Unilever still believes that a final salary scheme best meets the needs of Unilever employees in the UK and that the company is focussed on continuing it. To reassure yourself that you are in good hands take a look at the report on the 2003 Delegates' Conference and the article **so tell us more about our financial security.** We think you will be pleased to read about Unilever's commitment to the UPF for the foreseeable future.

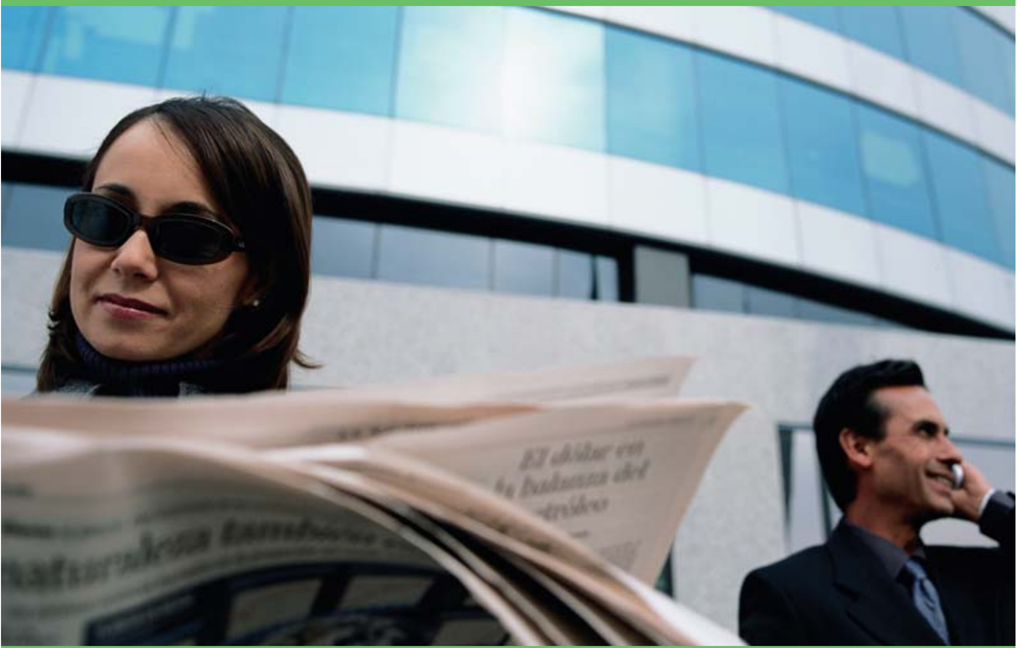
And if you're ready for it you may soon be able to have a 'virtual meeting' via computer with a UKPD administrator

to find out more about the details of your very own pension. Now how about that for a face to face interview with a difference!

If you have any questions or views relating to this issue of your fund please contact Hannah Clarke on her email - Hannah.Clarke@Unilever.com - or any other member of the team using the contact details printed on the back page.

Unilever pensions

reassurances that the UPF is safe at the Delegates' Conference



Here's where you can catch up on the latest news on the UPF in no time at all.

It's our report on the pensions issues covered at this year's annual Delegates' Conference held in Birmingham during April.

The conference extended over a period of one and a half days and was attended by over fifty delegates and 4 pensioners who had been selected from the pensioner visitors. Company-appointed trustees and the management of UK Pensions Department also attended the conference.

Rudy Markham, Unilever's Financial Director and Chairman of the Pension Investment Committee was the first speaker, and he shared with delegates the progress that had been made by the company over the past year, restating the fact that Unilever is in a strong position. Rudy also considered the performance of the Unilever Pension Fund over the past year, putting into context the cost to the company of keeping the fund fully funded and the new accounting rules, before explaining the recent review of the split of how the fund is invested.

Chris Lewin, Head of UK Pensions, was then interviewed by one of the member-nominated trustees, Cheryl Hampton-Coutts, covering topics such as the challenge of people living longer, financial education, the possible impacts of the latest Government proposals on pensions and, of course, the long term security of the fund. Chris reassured the delegates about this, noting that the safety of the fund relies not only on its assets but also on the company standing behind the fund, that the company is in a strong financial position and that Unilever pensions are more secure than is the case in many other companies.

As the security of the fund is always of interest to delegates, Pam Darchiville, who works in UKPD as the Investment Accountant, addressed the conference on the necessary financial controls operated by UKPD to ensure the physical security of the fund's assets.

The first day of the Conference closed with a presentation by Hannah Clarke, Communications Manager for the UPF, on proposals for strengthening the flow of two-way communication between members and the trustees. She was joined by colleagues from the Trustee Working Party which had been looking at this question. There was a lively discussion, during which the delegates were assured that the existing delegate system will continue while a new communications system is piloted, following which the role of delegates may be reviewed again.

Michael Pomery, the Scheme Actuary, opened the next day's proceedings, taking the delegates through the actuarial valuation, before Cynthia Elliott, Pensioner Liaison Manager for UKPD, updated the conference on the work of Uniforce (see the last issue of **your fund**).

Derek Wildey (previously a civil servant at the Department for Work and Pensions and now a consultant offering information on state benefits) then explained to the delegates how UPF members could help themselves and their older friends and relatives to claim some of the millions of pounds of state benefits which go unclaimed each year.

After breaking into syndicate groups, the conference closed with a plenary session where the delegates discussed the issues arising at the conference. The future of the scheme, the proposals for strengthening communications and services to members were the major topics under discussion.

When you're young and enjoying life to the full you rarely think about retirement.

After all when you are young 65 seems so far away. But with people living longer and the option to retire early, now can be the ideal time to plan ahead. Think carefully, for example, about whether you might wish to retire before 65.

At present the vast number of saving options around can often make things confusing: ISAs, Sharebuy, property, pensions and bonds. So how does the UPF fit into the bigger picture and why is it such a good method of saving for retirement?

The UPF is a final salary pension scheme, which is open to all eligible employees of Unilever in the UK. Despite all that has been written in the press over the last few years the experts still advise that an employer's occupational pension scheme is usually the best way to save for retirement.

Even better news is that a final salary scheme is also widely acknowledged as the best type of occupational scheme on offer. This is because the employer bears all the investment risk and will put in extra money if necessary to make sure that you receive the benefits you have been promised. This compares favourably with other saving options such as property and equity-based investments where the risk is on the individual if the market hits a downward spiral. Also, benefits are linked to your salary, which means they should keep pace with your standard of living.

As well as the security of your money there are also many other advantages when the UPF is compared to other saving methods. One of the main advantages is that the company also contributes towards your pension, which enhances the benefits that can be provided. So, in effect, by opting out or not joining the fund you lose a valuable 'perk' of your employment package.

why plan your pension now when 65 seems like a lifetime away?

Another big incentive of final salary pension schemes, such as the UPF, is the tax relief that can be gained. Contributions are automatically deducted from your salary before it is taxed. For a basic rate taxpayer every pound contributed yields a tax relief of 22 pence, which means, in effect, that the cost is only 78 pence. Higher rate taxpayers receive a higher rate of tax relief on contributions. Although there are tax advantages connected with ISAs, there are limits and there is no tax relief on what you pay in. Other saving options such as property or savings accounts have no similar tax advantages.

There are also many other extra benefits associated with membership of the UPF, which are not available with the other saving options. Not only does the UPF provide a secure pension on retirement, there are also added benefits, such as serious ill health provision and cover for your family after your death.

Pensions are designed for retirement saving. With an ISA or traditional savings account the temptation is always there to dip into the money before retirement. However with a pension this temptation is removed.

Saving is an important part of life and the sooner you start to save the easier it is to build up enough funds to live a comfortable lifestyle in retirement. There are many different ways to save and by using the company pension, AVCs and other savings methods, it is possible to build up enough funds to provide for your life after you finish working.

Get your retirement plan organised now and you can look forward to a comfortable lifestyle in the long term.

websitenews

forecasting your pension

In the last issue of **your fund** we mentioned the launch of the new pensions modeller facility on our website **www.myupfpension.co.uk** under 'Pension Online'. The modeller allows those of you who have received a paper benefit statement automatically from us (not on request) to access a secure area of the website using a password to explore your benefits further.

We have been exploring how to make this facility available to all, but this has not proved possible so far. Instead, we have focussed our attention on increasing the number of you who do get a benefit statement automatically, therefore increasing the number of members who can use the modeller. Once the 2003 statements have been sent out (and we aim to do this by the end of September) we will then send to all of you who have received a statement a reminder of how to access the modeller and details of your password.

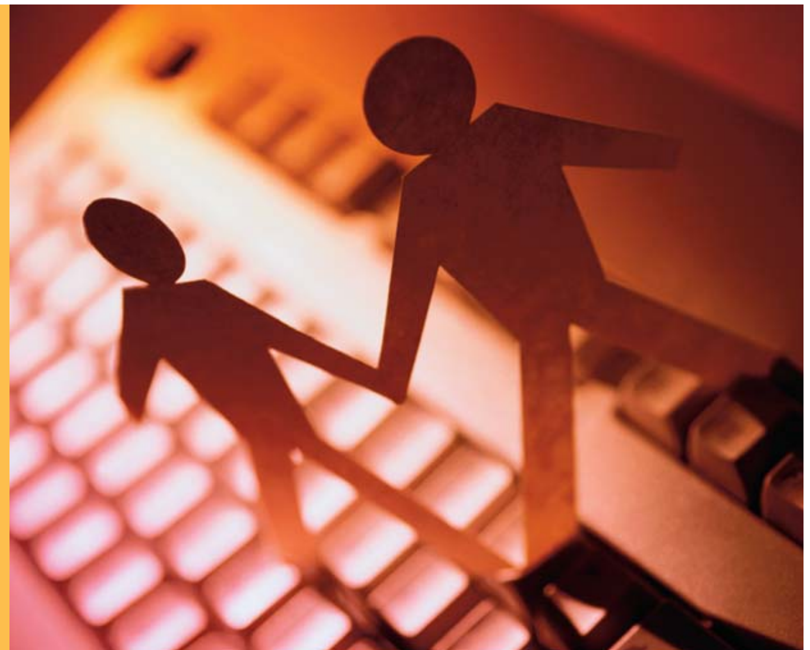
Due to the differences in systems across Unilever in the UK, we are aware that there are people on some sites who have to make a small change to their systems to allow access to the modeller. We have worked with local GIO representatives to ensure that the necessary system changes can be made globally, and that subsequent system updates don't result in a recurrence of the problem. Meanwhile if you do have a problem accessing the modeller, please submit a 'problem' form via the website and we will arrange for your technical difficulties to be resolved. You can always access the modelling facility from home instead if you wish.

and there's more

Things may have changed since your last visit – check out:

- the new ticker tape section on the front page;
- the news flash section – where you can now register for automatic notifications of news flashes;
- coming soon - online discussion forums

stand by your PCs



UKPD experimenting with virtual meetings

Missed a presentation on pensions? Want to meet urgently with UKPD to ask about the quote you received recently?

We would love to be able to spend more time out on the road meeting you but sometimes this just isn't possible. However, maybe we can meet in cyberspace! You would be invited to meet a UKPD administrator live on the web. To do this you would be sent a code and website address, and full instructions. When you log in at the agreed time, you can see the administrator, and see the document in question on the web (in a private space, naturally). You can then discuss the figures with the administrator, much as you would if meeting in the same room.

All you need is a computer with internet access and, ideally, a separate nearby phone.

All this is at an experimental stage at present - UKPD have conducted trials with a small panel of delegates, with good results, and hope soon to be able to trial virtual meetings at specified sites across the UK for certain transactions.

But if the results continue to be good, then you could soon find yourself meeting us in cyberspace!

so tell us more about our financial security

One of the most commonly asked questions of the moment is 'how safe is the UPF?'

With national newspaper coverage still focussing on the many pensions issues, it's not surprising that members want to know a bit more about the financial security of the fund.

Stock markets in the UK and around the world have continued to fall over the first half of this year. The trend of companies closing their final salary schemes, either to new members or all members, has also continued this year.

Yet Unilever is sticking with a final salary scheme, for the foreseeable future, and the trustees are staying with a strategy which involves investing in equities (stocks and shares). Why?

As we have previously reported in **your fund** (see last summer's issue), members can be assured that Unilever continues to believe that a final salary scheme best meets the needs of Unilever employees in the UK. In a climate where some other companies are changing their pension arrangements Unilever feels that the UPF gives the company a competitive edge in the recruitment market.

Towards the end of last year the actuary recommended that the company and the trustees should discuss the future funding policy framework for the fund. A working party of company and trustee representatives was formed and it has had several meetings, with advice from the actuary. These discussions will be taken into account by the actuary later this year when he makes his recommendations following an interim review of the finances of the fund as at 30th September 2003, half-way between the normal actuarial valuations which take place every three years.

We hope to be able to report on the actuary's findings in the next issue of **your fund**.

Chris Lewin, Head of UK Pensions, summarised the situation for members when he told **your fund**, '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. The government's proposed new insurance scheme (see page 6) may provide additional reassurance.'

Furthermore, contributions have resumed from both the company and employees to meet the cost of the pensions currently being earned by employees. From 1 January 2003 current employees have been paying 2% of contribution pay. (Members new to the fund since 1 January 2003 pay 5% of contribution pay). **From 1 January 2004 all employees will be paying contributions at the full rate of 5%, the maximum currently permissible under the fund Rules.**

For example, for someone whose pensionable pay is £20,000 pa, the contribution in 2004 will be: 5% x (£20,000 - £4004*) = 5% x £15,996 = £800 pa. Allowing for tax relief at 22% the net cost will be: £800 x 78% = £624 pa. This equates to only 3.12% of pensionable pay.

***£4004 is the Lower Earnings Limit that applies for the 2003-4 tax year.**

Contribution pay is equal to pensionable pay less a deduction equal to the Government's Lower Earnings Limit (currently £4004 a year and likely to increase each April). Contributions are taken from salary before tax is deducted, which means that employees will receive tax relief on contributions at their top marginal rate of tax. This means that a 2% or 5% contribution rate actually costs much less than 2% or 5% of gross pay.

Unilever Chairman Niall FitzGerald expanded on what Unilever's commitment to the fund means at the recent company AGM in London when he said: 'When we last looked, in March of 2002 when we had the triennial valuation of the UK pension fund, it showed a small surplus. But the trends were such that we expected that surplus to dissipate quite quickly given what was happening in equity markets and elsewhere. It was for that reason we decided that it would be appropriate to reintroduce contributions … as we look forward, to ensure that the pension fund remains in good health, which we believe it is. It is that which also gives us the confidence to reconfirm again that we are committed to continuing with the defined benefit scheme as is.'

'If circumstances turned out differently of course the company stands behind the fund, and if it was necessary at some stage in the future for the company to make a cash contribution in order to ensure that the fund was properly solvent then it would do so.'

'So, yes, the company stands behind it and, yes, if it were required at any stage in the future it would stand up and live up to its responsibilities. You can have no doubt about that.'

will pastures soon be greener for **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.

Your fund takes a look at the various proposals covering a wide spectrum of subjects, ranging from improving protection for members to increasing choice for employers and members alike. Most of the changes are likely to come into effect in April 2005.

so what are the issues?

With constantly changing demographic and economic issues the government highlighted four of their main pension concerns in the paper. These were:

- People are living longer and if people choose not to work longer, and do not wish to see a drop in living standards, they will need to save more.
- The decline in pensions provision by some employers and the decline in employee confidence in pension schemes.
- The complexity of products and cost of financial advice make saving a complicated issue for people to understand.
- Many people are leaving employment too early.

how is the government proposing to address these issues?

The government has decided to tackle pensions reforms under two heads. The DWP has been looking at improving the general framework of pensions saving and provision, while the Inland Revenue has been looking at the technical details of how much people should be allowed to save and receive.

The main points in the DWP paper include:

Proposals to increase member protection:

- Setting up an insurance scheme for final salary pension schemes, to be known as the Pensions Protection Fund. Employers will have to pay into this fund, to provide a pool of money to protect members in the event that their company becomes insolvent and the pension scheme is not fully funded. The aim is that the protection fund will provide enough money to allow the failed scheme to continue paying the pensions in payment in full and to meet 90 per cent of the benefits due to members who are still working (except for those employees earning more than about £40,000 pa, for whom the degree of protection will be less).
- Sharing a scheme's assets more fairly, if the scheme is wound-up because the employer is insolvent, by giving fairer treatment to all members and, in particular, strengthening the rights of long-serving members who are still working.
- Requiring solvent employers, who choose to wind up their scheme, to ensure that there is enough money in the scheme to cover all the benefits that members have built up. Members can then be confident that they could receive their expected level of benefits from the replacement pension arrangement.
- Including some protection of pension rights under the Transfer of Undertakings (Protection of Employment) regulations (TUPE) which protect employment rights when companies are taken over.
- Increasing the safety of members' benefits by creating a new proactive pension regulator to focus on schemes where there is a high risk of fraud, bad governance and maladministration.
- Allowing people who change jobs frequently to build up a pension more easily, by giving members who leave a scheme with between three months' and two years' membership a choice: they can either take a refund of their contributions (less tax and the premium to the additional state pension) or a transfer to another scheme of their choice.

Proposals to increase flexibility and choice:

- Allowing employees over age 55 (subject to their employer's consent) to draw the whole or part of their pension whilst continuing to work for the same employer (whole-time or part-time).
- Abolishing compulsory retirement ages and bringing in measures, including legislation, to prevent age discrimination. The DWP highlighted Unilever's comments on introducing more flexible approaches to retirement. The company said in its response to the Green Paper: 'The abolition of compulsory retirement ages is aligned with our business principles of a commitment to diversity and our commitment to recruit, employ and promote employees on the sole basis of qualifications and abilities needed for the work to be performed.'
- Increasing to 55 (from 50) the minimum age at which retirement benefits may be taken. The full impact of this change is intended to come into effect from April 2010, to be phased in over the period to 2010.
- Working with employers to promote clear and improved information tailored to individuals' own circumstances. For example, the production of combined forecasts (benefits statements) from employers and the state.
- Keeping the State Pension age at 65. However, the Government has proposed measures to give individuals (rather than employers) more choice to extend their working lives. For example, people who defer taking the state pension (Basic, State Earnings-Related and the State Second Pension) for five years may receive a greater increase in their rate of weekly payments. Also, there may be a choice of whether to take the increases resulting from deferral as a lump sum or as part of a regular pension.

What can we expect next?

A follow-on paper is expected from the Inland Revenue by the autumn of this year. The main issues that will be important to UPF members are expected to be as follows:

Employee contributions (including Additional Voluntary Contributions or AVCs) will no longer be limited to 15% of earnings in a tax year. An employee could pay up to 100% of their earnings into the Unilever Pension Fund, subject to a maximum contribution (from all sources) in any one tax year of £200,000.

Currently the maximum pension the Inland Revenue will allow is related to your earnings at retirement. This rule will be scrapped and replaced by a limit that looks at the capital value of your retirement benefits and will not be linked to service or earnings at retirement. Initially, this limit will be set at a value of £1.4million which equates roughly to a pension of £65,000 pa from age 60 with RPI increases.

The maximum tax-free lump sum on retirement will be equal to 25% of the value of an individual's pension (including AVCs).

Consultation will continue on certain proposals. When more information emerges, Unilever will investigate how the government's proposals will influence the UPF.

We will keep you informed of developments.

your opinions your pension

At UKPD we value your opinions and comments.

And this is why some of you may have been contacted recently and asked to take part in our regular survey.

The survey, which we at UKPD conduct every two years, asks a group of randomly selected members about their perception of our service and communications strategy. It provides us not only with a benchmark against which we can measure ourselves but also a wealth of information and suggestions for further improving our dealings with you.

We aim to report back on the results of the survey in the winter issue of **your fund**. Meanwhile, thank you to those of you who did take part. If you did not get contacted, however, don't worry – you can still give us feedback at any time by telephone, letter or email (see opposite for our contact details).

UKPD also regularly carries out mailings to gather direct feedback from members we have been in contact with, to gauge satisfaction with the service we have just given. This helps to keep us on our toes!

customer service **news**

As a department, UKPD are focussed on improving the service we offer to members. We are tackling this in a number of different ways, some of which you will have read about in your fund – for example we are currently working to turn around all work within 10 working days. We are also working on improving our links with peoplelink, and to decrease our turn around times further.

update on buying added years with a transfer in

As we reported in the last issue of your fund, we are improving the choice available when you transfer your pension entitlement from a previous scheme or a personal pension into the UPF. You will soon have the option to purchase *either* a fixed pension payable from the UPF (as now) *or* added years of service. Similarly, the option to use Additional Voluntary Contributions (AVCs) to buy added years of service will also be made available in due course.

If you have already transferred in your previous pension rights to buy a fixed pension in the UPF, and/or have an existing AVC fund, you will have a once and for all opportunity to convert this into added years instead. This may or may not be of benefit to you and you will need to consider the matter carefully.

We will keep you updated on progress and when a decision has been made on when these options will be available, we will post the details on the web site – www.myupfpension.co.uk.

new names on the **Trustee Board**

The UPF is held under trust by a Trustee company, Unilever Pension Fund Trustees Limited. For convenience we refer to the directors of this company as "the trustees". There are 14 trustees, 7 appointed by the company, 6 elected by delegates representing employee members of the UPF and 1 elected by pensioner members. The elected trustees also have elected substitutes, in case they can't themselves attend a meeting.

A few trustees have retired or left the company this year, so here is an updated list of trustees and substitutes for your information.

Any Questions? **Then just ask …**

Write to us:
(Quoting your reference number)
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