

Summer 2005



Your fund

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Pensions under pressure

What's the big deal?

Retirement. Something that most of us look forward to. A time when we can kick back and do all those things we have put off for so many years – travel the world, learn a language, enjoy time with our families and treat our grandchildren. You would think that provision for our twilight years would feature fairly high as one of our financial priorities, whether we are in our twenties or approaching retirement age.

But to many people, and increasingly for younger generations, the subject of pensions is uninteresting and vastly complex. The cut-back in benefits from some final salary schemes as a result of business failures, poor stock market performance. Bad press has led to a feeling of confusion and mistrust. It is this lack of confidence in pensions, combined with an increasing burden on existing pension systems due to longer life expectancy, which is highlighting inadequate savings levels. The press, and other commentators, are calling the present situation a 'pensions crisis'. Here are some current UK facts:

- **9 million** people are not saving enough money for their retirement. (Source: Pensions Commission estimate)
- One rule of thumb states that people need to save a percentage of their income equivalent to half their age to achieve a pension of two thirds their final salary, ie. **40 year olds should be setting aside 20% of their salary.** (Source: Legal and General)
- **£27 billion a year** is the current estimation of the pension savings gap. This is the extra amount Britons should be saving to secure a comfortable retirement. (Source: The Pensions Commission)

- **30 years** from now, the proportion of the population aged 65+ will increase by 50%. And the number of pensioners aged 80 or over will double. (Source: The Pensions Commission)
- **1.8 million** people will be working beyond statutory retirement ages by 2020. An increase of 63%. (Source: Saga)

So how is the Government responding?

Following pressure from the pensions industry, the Government and their opposition have acknowledged that considerable thought and pro-activity needs to be given to:

- the future capacity and stability of the state pension scheme
- the security of individuals' occupational pension arrangements
- encouraging individuals to save more for retirement.

Some of the measures the Government has already introduced are explained on page 3.

Pensions Commission

Appointed by the Government in 2002, the Pensions Commission is due to give its second report late in 2005. This report on the UK pensions system and long-term savings will highlight areas where changes are needed and suggest possible future reforms to both private and compulsory pension arrangements.

Pensions Act 2004

This Act was passed in 2004 and, amongst other things, its purpose is to:

- improve the security of pensions for members of occupational pension schemes.
- prompt the provision of clearer and more relevant information about pensions to individuals

Changes are being introduced regarding the funding of pension schemes. Pension fund trustees will have more power to agree the appropriate funding strategy for their scheme with their sponsoring employer. The Government's overall aim is to increase the strength of UK pension funds, and ultimately, to improve the security of member benefits.

These changes are being phased in throughout 2005 and 2006 and should help to increase general confidence in the pensions industry.

Pension Protection Fund (PPF)

The Government set up the Pension Protection Fund in April 2005 in response to the collapse of some high profile companies with final salary pension arrangements.

Companies such as Allders, Allied Steel & Wire and Turner & Newall have left deficits in their pension funds - meaning that there is not enough money in the fund to pay expected employee pension entitlements in full.

The PPF is designed to pay compensation to members of final salary pension schemes who lose their pensions due to their employer's insolvency. It will work by taking responsibility for the troubled scheme and the payment of partial benefits and/or compensation to its members. For example, current potential beneficiaries of the PPF include the MG Rover group.

The compensation structure is complex. Whilst retired scheme members who are over age 65 will continue to receive 100% of their current pension, future increases are likely to be restricted. Members still in employment will receive 90% of the pension they have already earned, up to a maximum of £25,000 per year.

The PPF will be funded primarily by the assets that are left in a collapsed company's pension fund. However, given that those assets will not be enough to cover the scheme's liabilities, annual levies will be made on all UK pension funds that are final salary schemes.

Pensions Regulator

A new Pensions Regulator has been introduced by the Government. The Regulator's role includes collecting data on occupational schemes and assessing the associated level of 'risk'. This risk is defined as: "...a situation that may significantly reduce or prevent payment of the benefits due to members".

(Source: www.thepensionsregulator.gov.uk)

The Regulator has the authority to investigate schemes and the power to put things right where problems have been identified, taking action against non-compliant employers and trustees where necessary.

So what does this mean ...

... for the Unilever UK Pension Fund?

Along with all UK companies which operate final salary pension schemes, we (the UUKPF) will make our first annual payment to the Pension Protection Fund before the end of March 2006. And, in line with the Government reforms outlined on page 3, we will be providing you with additional information on the overall funding position of the UUKPF in the form of an 'annual funding statement'. We currently expect to send out the first statement in 2006.

At present, an actuarial valuation is underway to determine the current funding position of the UUKPF as at 31 March 2005 (ie. is the amount of money currently in the Fund sufficient to cover member pensions now and in the future?). With special company contributions of £62 million per year, in addition to Unilever's normal employer contributions, the UK business currently contributes about 35% of total salary costs to the Fund. The valuation will determine whether these contributions need to be increased. A £400 million deficit existed in the Fund in 2003. Despite the high level of contributions being paid, it is likely that this valuation will find that the deficit has increased due to factors such as further improvements in life expectancy, and that contributions will increase further.

Unilever stands fully behind the UUKPF and is committed to providing the pensions that members have already earned. However, the Fund is not immune to external factors influencing the pensions industry generally. We are therefore constantly evaluating our approach for future pension provision so as to ensure that we have the right solutions for employees and the business going forward.

The previous article on pages 2-3 sets out some of the trends which are influencing pensions developments in the UK. Each of us has a personal responsibility to think carefully about how we are making provision for our own retirement. As members of the UUKPF we are fortunate to have a committed employer standing behind the Fund. In addition, as Nigel Biggs – Head of UK Pensions – commented recently: "like any shrewd investor, each of us should have a considered approach to our savings, with a clear understanding of how these fit with our own personal needs and expectations for the longer term".

Sources of useful information on pensions:

Unilever UK Pension Fund website	www.myupfpension.co.uk
Peoplelink Learning team website	http://learningpeoplelinkuk.unilever.com
The Pension Service - part of the Department of Work and Pensions	www.thepensionservice.gov.uk
The Pensions Regulator	www.thepensionsregulator.gov.uk
The Pensions Commission	www.pensionscommission.org.uk
The Inland Revenue	www.hmrc.gov.uk
A list of Independent Financial Advisers	www.unbiased.co.uk

... for you and your pension savings?

We want all of our members to understand and take comfort in the benefits that you are entitled to under the UUKPF. And, as a member of an occupational pension scheme, you can now take confidence in the creation of the Pension Protection Fund and the appointment of the Pensions Regulator. However, you should also be considering the wider issues currently surrounding pensions in general. As a Fund member and a smart saver, ask yourself:

"When I retire, will my pension be enough to support my lifestyle?"

"Should I be considering other options for savings as well as my Unilever pension?"

To help you think about the future in broad terms, the Peoplelink Learning team offers courses on mid-life planning and planning for retirement (contact details on page 4). To assess your overall pension position, most members can use the pension modeller and 'wealthcheck' facility on the UUKPF website. These tools will give you an indication of the benefits you can expect to receive when you retire, together with the effect that other savings/investments might have on this amount.

There are many ways to supplement your income in retirement, so it is a good idea to look at pension provision as part of your overall savings plan rather than as a stand-alone item. In addition to your standard pension, Unilever offers employees:

Additional Voluntary Contributions (AVCs)

Boost your pension with one of three AVC schemes, which enable you to contribute more to your pension 'pot'.

Investment in Unilever shares

Make a regular payment from your salary and take advantage of the annual ShareSave Plan or ongoing ShareBuy schemes.

As a further incentive, AVCs and ShareBuy offer tax-free contributions, so every £1 invested only costs you 78 pence if you are a lower-rate tax payer or 60 pence if you are a higher-rate payer. For further details of any of these schemes, please contact the Peoplelink Service Desk – details on page 8.

Other options:

ISAs, Capital Bonds, Premium Bonds, a second property... the list is endless. Before taking any action you should speak to your local bank or building society or ask for advice from an Independent Financial Adviser. For more information on pensions and ways to save for the retirement you deserve, read the financial section of the newspaper or take a look at some of the websites on page 4.

Disclaimer: UUKP, the company and the trustee cannot recommend which, if any, of the savings facilities mentioned are right for you. You should seek professional advice from an Independent Financial Adviser before taking any action that may affect your pension provision.



UK Pensions team

Continuing service improvement

Over the last few years, the introduction of HR shared services (UK Peoplelink), our move to Walton Court, and the transfer of most of our administration services to Hewitt, have led to changes in the way things are done behind-the-scenes in the UK Pensions team.

Under our new front office/back office arrangement with the Hewitt Group in London, current employee members continue to deal directly with Peoplelink and the UK Pensions team (ie. the 'front office'). Hewitt, the 'back office', carries out the majority of our administration services and communicates with former employees who have left or retired from Unilever.

All this change has presented us with a great opportunity to review the pensions administration service we offer to employee members of the UUKPF. We have asked our customers for ways in which we could improve our interaction with them and ultimately our standard of service. We collected feedback from delegates, trustees, Peoplelink, HR in the Business Units and from within the Pensions team itself.

This is what they asked us to do...

- EXPLAIN who employees should contact regarding pensions matters.
- INFORM retirees and other members leaving Unilever so that they can make educated decisions about their pension choices.
- PROVIDE consistent retirement benefit counselling around the business.
- IMPROVE teamwork between Pensions, Peoplelink and HR to provide a more joined up service.
- FOCUS on working to agreed timescales and getting it right first time.

This is the action we've taken already:

We have...

- transferred the Pensions helpline to the Peoplelink Service Desk (**01932 261000**), who **now handles all employee pensions queries.**

- mapped all our processes clearly from end to end, ensuring each team knows the role they have to play. (See the table opposite for a more detailed explanation of the role of each of the teams involved with pensions.)
- launched new electronic forms to make it easier for HR to request the information they need.
- introduced more automation to enable data to be passed accurately and speedily between Peoplelink and Pensions' systems.

Upcoming service improvements:

We will...

- introduce the role of 'Retirement Case Advisor' into Peoplelink over the next few months to make sure that retirees get all the help and information they need from Pensions, Peoplelink and from sources outside the business. This will include organising pension benefits counselling and a place on a pre-retirement course.
- review the way in which pension benefit counselling is delivered later this year.

The work we have done together over the past year has created closer links between the Pensions and Peoplelink teams and, following the outsourcing of our administration, we are now developing this relationship further to include Hewitt. Between us, as one team, it is our mission to deliver a seamless and consistent pensions service that meets your expectations and that is right first time.

Focus on ...

Delegates

Which team does what?

Following the changes that the Unilever UK Pensions team has undergone in the last 18 months, we understand that a number of our members have been confused about

who they should contact and the role of the other teams involved with pensions. To make this clearer, here is a breakdown of the roles:

Peoplelink	<ul style="list-style-type: none"> The Service Desk (01932 261000) provides the main point of contact for all employee queries and, if necessary, directs the caller to an appropriate pensions specialist. The Administration team provides pensions figures for HR, issues pension packs to new members and liaises with employees who are leaving the Fund.
Pensions team	<ul style="list-style-type: none"> Supports the trustees in fulfilling their responsibilities Reviews policy and addresses technical matters, ensuring that the UUKPF complies with legislation Controls the Fund's finances Creates and distributes pensions communication to members, eg. 'Your fund' Manages complex processes, such as the calculation of expatriate pension arrangements Co-ordinates all pensioner liaison.
Hewitt	<ul style="list-style-type: none"> Maintains and updates the UUKPF member database Carries out administration tasks for active, deferred and pensioner members, such as responding to calls and correspondence and calculating benefits.
HR in the Business Units	<ul style="list-style-type: none"> Informs Peoplelink when a member is leaving the company and raises requests for retirement figures.
Delegates in the Business Units	<ul style="list-style-type: none"> Help cascade general pensions information to UUKPF members Alert the UK Pensions team of any developing issues. See also the next article.
Trustees	<ul style="list-style-type: none"> Look after the assets of the Fund and administer the UUKPF according to the Trust Deed and Rules and legislation. <p>NB. 'Member nominated trustees' are selected from the group of employee delegates and by eligible pensioners.</p>

- A delegate is an employee member of the UUKPF, elected by colleagues as their site pensions representative.
- There are currently about 40 delegates, representing almost all parts of the UK business.
- Delegates assist in the cascade of pensions information to members, and they alert the Pensions team to any developing issues at UK sites.
- They are an important link between you, the UUK Pensions team and the trustees of the Fund.
- Delegates are not allowed to offer financial advice and do not serve as a substitute for business unit HR or Peoplelink.
- Interested in, and enthusiastic about pensions, delegates are directly accessible to point members in the right direction with pensions queries.

If you don't know who your local delegate is, please ask your local HR team.

Your Fund is produced by the Unilever UK Pension Fund for our employee members, to help you cut through the complexity of pensions. Why not speak to your local delegate if there is a particular topic you would like us to cover.

UUKPF service update

Did you know...

Automatic membership has been introduced

To encourage greater membership of the UUKPF, in May 2005 we changed the way people join the Fund. An 'opt-out' system means that new employees are now automatically entered into the Fund from the date they start work unless they choose to opt out in advance.

Service Credits are stopping

In the late seventies and early eighties, membership was only available from age 21. In 2000, a special arrangement was introduced to allow people previously excluded from the UUKPF due to their age to buy back their missing period of service. These 'Service Credit' payments, made by certain employees and the company over a five-year period, are due to cease this year.

For those of you affected by this, please note that we will write to you later in the year to confirm the amount of extra service you have bought with your contributions. Meanwhile, to boost your pension further, you may wish to consider making Additional Voluntary Contributions (AVCs) when your Service Credit payments stop. Contact the Peoplelink Service Desk for details.

Mums can backdate their pension payments

Have you taken unpaid maternity leave? If the answer is yes, you will have been given the opportunity to pay backdated pension contributions when you returned to work. Under the rules of the UUKPF, periods of paid maternity leave are generally included as pensionable service, but unpaid periods are not - unless you make up for the contribution shortfall.

We want to ensure that any members who haven't made backdated pension contributions to cover their unpaid maternity leave (and who now wish to do so) have another chance to fill the gap in their pensionable service. Now is the time to act if you would like your entire period of maternity leave to be pensionable. Please contact the Peoplelink Service Desk for further information.

Contact details

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