your fund
your future

www.myupfpension.co.uk winter 2002-2003

Unilever

Contents of **your fund**

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

Unilever pensions

branching out
to keep you fully informed

As the future of pensions continues to dominate the headlines, members of UKPD have spent the autumn months on the road meeting you (our customers) to answer your questions and provide all the information you need to plan for your retirement years.

Many of you understand that the pensions scene is shaping up for the future in the same way that business and industry evolves every day to face market changes.

Where changes look likely to affect your pension, we'll be the first to tell you. In the meantime, we're just busy helping you to make sense of the various options.

We want our approach to you to be friendly so rather than giving a set roadshow presentation, we displayed samples of pension fund publications and the new modeller (see page 8 for details) and answered general pension questions.

All the members of the department who deal with pensions administration were involved, and between us we visited 14 sites and spoke to over 150 people. However, we do have to be invited, so if we didn't get to your site, and you want to see us, speak to your line manager to see if a visit can be arranged.

Even if you are not near retirement age, it is important to understand whether your pension will be sufficient for your needs, so that you can consider what other action you might want to take, like paying Additional Voluntary Contributions (AVCs). The younger you start, the less it costs!

If we missed you we'll be on the road again in the spring, and we hope to see you then.

If you have any questions or views relating to this issue of your fund please contact Hannah Clarke on her e-mail:
Hannah.Clarke@Unilever.com

essential reading

it's the UPF Report & Accounts

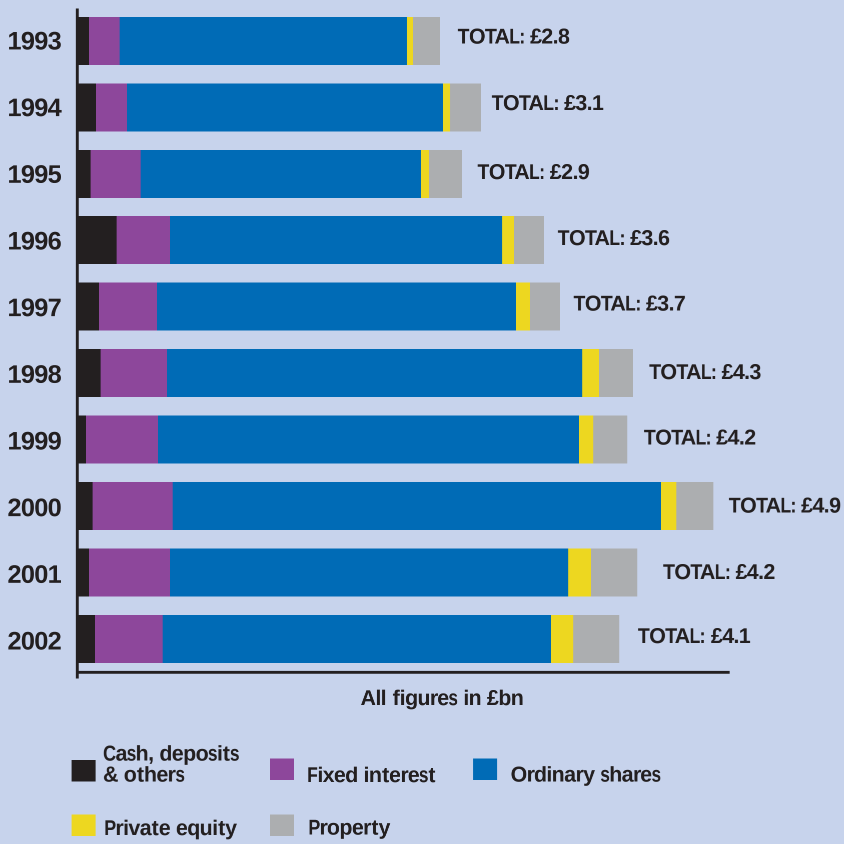
Every year in the winter issue of your fund we give you highlights from the UPF Report & Accounts, published each autumn.

As an employee member of the fund, you have an interest in how well the pension fund investments are performing, as the health of the fund has an impact on your future pension. This year - a valuation year - the performance of the fund has special significance as it is the fund value at 31 March 2002 which the actuary takes into consideration when assessing the liabilities of the fund against the assets (see page 4 for details regarding the valuation).

So, how has the fund performed over the last year?

In 2000 and 2001, the UK stock market fell – the first time that the market had fallen twice in a row since 1973-1974. Over the first nine months of 2002, the market fell a further 29% and at the end of September was some 44% below its end 1999 peak. The market value of the assets at 31 March 2002 was £4,157 million. By the end of September 2002 it was £3,184 million. Much of this collapse can be blamed on the bursting of the dot.com bubble that had pushed world stock markets to unsustainable levels. The US stock market, driven by fears of further accounting scandals and concern over the state of the economy, remained weak. The UK market was then influenced by these changes.

The market value of the fund at 31 March



Investment Performance to 31 March 2002

USF/UPF	Benchmark
one year	-0.9%
five years	7.6%
ten years	11.2%

New strategy –

Asset Class
UK Bonds
UK Equities
North American Equities
European Equities
Rest of World Equities
Property
Private Equity

However (as noted in last winter's **your fund**) pension fund investment is a long term business. As you can see from the chart, (which is taken straight from the Report & Accounts) after growing steadily from 1993–1998, the market value of the assets has stabilised since then despite some volatility. A notable peak at the beginning of 2000 was caused by the dot.com bubble which was then about to burst. Also, despite the losses the fund has suffered, the investment managers, as a whole, have beaten their benchmark over the last year, the last five years and the last ten years.

Over the last few months (as reported in the summer issue of **your fund**) Hewitt Bacon & Woodrow have been carrying out an asset liability study on behalf of the trustees of the UPF. The investment strategy at 31 March 2002 was 37% in UK equities, 30% in North American/ European/Japanese equities, 14% in UK Bonds, 7% in Pacific/ Emerging Market Equities, 7% in Property and 5% in Private Equity.

After receiving the results of the study, the investment committee recommended a slightly modified investment strategy, marginally reducing the emphasis on equities while increasing that on bonds and property. 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 a recognition of the gradually increasing maturity of the fund as the ratio of pensioners to employees increases.

After detailed discussion, the trustees accepted the investment committee's recommendations, which will now be implemented. Also, rather than having a fixed percentage in each sector, they are adopting the ranges shown below, with the aim of always moving back to the midpoint of the range.

If you want a copy of the full Report & Accounts, please write to the Fund Secretary c/o UKPD.

Retail Prices	Index
1.3%	-1.4%
2.4%	7.0%
2.5%	10.9%

Midpoint	Range
17.5%	15-20%
25.0%	20-30%
20.0%	15-25%
15.0%	10-20%
7.5%	0-15%
10.0%	5-15%
5.0%	n/a

more volunteers needed for Uniforce

While pensioners are not always viewed as a company's greatest asset, Unilever knows the true value of their wide knowledge and expertise.

So when Chris Lewin, Head of UK Pensions, came up with an idea to enable pensioners to help the company in a tangible way, the company responded eagerly. Chris's idea was that pensioners could help the company with various labour-intensive market research and merchandising projects. Cynthia Elliott, Pensioner Liaison Manager, and John Wilcock, Cynthia's manager, embraced this initiative enthusiastically and, over the last year, have been putting it into effect.

The volunteer force, aptly entitled Uniforce, receives a competitive rate of pay for their efforts. To be eligible, pensioners must have retired from the business for at least six months. The group of around 500 pensioners have already completed 6 projects, delivering well above expectations and giving real added value. For example, the group helped with the launch of Cornetto Soft in the UK, visiting retail outlets from corner shops to Theme Parks, to ensure that the product was being presented as well as possible, and that the retailers were happy. During the 3 weeks that the pensioners were working on this project, sales of Cornetto Soft trebled.

Uniforce is a force to be reckoned with and looks like being here to stay, but more volunteers are needed to help with the increasing number of projects. If you are retiring shortly, and you would like to help the company in this way, please make a date in your diary to contact Cynthia **after you have been retired for 6 months,** when you will be eligible to become a Uniforce volunteer.

Please make contact by telephoning Cynthia or e-mailing her on Cynthia.Elliott@unilever.com.

Facts & figures on Uniforce

- Some projects have involved 1 or 2 days' work per week for 10 week periods
- Others have involved more intensive work over shorter periods
- 6 completed projects have involved 65 pensioners visiting over 3000 retail outlets
- Current projects are using more than 100 pensioners to make weekly visits to more than 600 stores
- For 2 large projects in the first quarter of 2003, we expect to use up to 350 pensioners

OK so what's **new** with

All final salary pension schemes like ours have to be valued by an independent actuary at least once every 3 years. As in 1999, this year's valuation of the Unilever Pension Fund (UPF) has been carried out by Michael Pomery of Hewitt Bacon & Woodrow. If you want to see a copy of his Report, please ring our helpline on 020 7822 6050.

The UPF is still in surplus

He has reported that at 31 March 2002 (the official date for the valuation) the fund had a small surplus. 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. In other words it was an 'ongoing valuation'.

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. If the fund had been discontinued at the date of his report in circumstances where the company was not able to pay in additional sums, it would probably not have been possible to provide the promised benefits in full. However, this discontinuance valuation as it is called, is very volatile, depending on stock market movements from one day to another, and in view of the financial strength of Unilever, is not a matter for immediate concern.

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.'**

Nevertheless the actuary, whose duty under the UPF rules is to safeguard the fund, intends to keep the emerging financial position under close review in the coming months. He has recommended, and the trustees have accepted his recommendations, that there should be a review of the funding strategy, and also an interim review as at 30 September 2003, half-way between the formal valuations which occur once every three years.

Chris Lewin, Head of UK Pensions, 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. 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'.

Contributions return to maintain benefits package

The actuary also certified that the normal contributions required to meet the cost of the ongoing benefits earned in future by employees of the company amount to 18.4% of pensionable pay. This is the total cost, including both the company's contributions and the employees' contributions. It has been decided that contributions will need to resume, though only half rate contributions (9.2%) will need to be paid in 2003, with the full amount being payable from January 2004 onwards.

The company has decided that employees' contributions will likewise be phased in. From 1 January 2003 employees will pay 2% of contribution pay, increasing from 1 January 2004 to the full rate of 5% permissible under the Fund Rules. Contribution pay is equal to pensionable pay less a deduction equal to the Government's Lower Earnings Limit (currently £3,900 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% contribution rate actually costs much less than 2% of gross pay. For example, for someone whose pensionable pay is £20,000 pa, the contribution will be:

2% x (£20,000 - £3,900)
= 2% x £16,100 = £322 pa
Allowing for tax relief at 22% the net cost will be:
£322 x 78% = £251 pa.
This equates to only 1.25% of pensionable pay.

New Entrants

New recruits from 1 January 2003 onwards will commence contributions at the full rate of 5% and will continue to pay that level of contributions for the first 5 years of company service, after which they will pay the same rate as other employees are paying at the time.

Unilever will pay to the fund in 2003 sums equal to 9.2% of the total of members' pensionable pay less the aggregate of the contributions payable by members. From 2004 onwards the corresponding figure will be 18.4%.

Special arrangements will be made for members who are on maternity leave or special leave.

The Inland Revenue permits members of schemes like ours to contribute 15% of total taxable pay towards their retirement.

This means some members who are paying Additional Voluntary Contributions (AVCs) or who are also paying for service credits may have to reduce their AVCs in order to avoid infringing Inland Revenue limits. UKPD and people*link* have reviewed those members who from 1 January 2003 may exceed that limit and are writing to advise them of their options.

If you are worried about having to pay contributions, you can of course decide to 'opt out' of the fund at any time if you want. However, if you wish to rejoin the fund at a later date, the trustees reserve the right to ask for medical

our fund?

evidence before allowing you to rejoin, and can refuse to allow you to rejoin. Before making a decision of this importance you would be well advised to take advice from an Independent Financial Advisor.

Membership of the UPF continues to provide extremely good value for money, unlikely to be matched by any private arrangement especially as Unilever will not contribute towards any other pension for you. Moreover, on opting out your family would cease to be covered for the substantial benefits which would be payable to them in the event of your death.

Improvements and changes to the UPF

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

- **The trustees will have the discretion to pay lifetime child pensions to severely disabled children irrespective of the age of the child when the member dies. Currently a disabled child has to be aged under 18, or 23 if still in full time education, when the member dies in order to be eligible for a lifetime child's pension at the discretion of the trustees.**

- **For many years, a simplified administration basis has been adopted for applying regulatory increases to some deferred pensions before retirement. As things stand, this simplification expires in September 2003 and benefits coming into payment after that time must be calculated in accordance with the fund Rules and Regulations. 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 changed the statutory rules.**

- **Pensions being paid to Unilever pensioners are currently increased once or twice a year, depending on whether or not they have reached State Pension Age. At present, a pensioner may receive an increase in April to that part of his or her pension that replaced the State Earnings Related Pension Scheme (SERPS) and also in October to the rest of his or her pension. From April 2003 both increases will be made to pensions once a year in April. This simplification will not affect the fund's liabilities significantly and is for the convenience of all concerned.**

adopting good **principles of conduct**

Most people will have read something about the unethical financial behaviour of companies such as Enron and WorldCom in recent press reports. It is therefore more important than ever for companies and pension funds 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. Each year the trustees receive reports from their investment managers showing how these principles have been applied to various investments. The trustees have now also decided to adopt formally the values shown below. These values are not restricted to investment matters but extend to the entire activities of the trustees, and will be a reference point for future decisions.

The Values:

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 should 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.

increase your future income **with AVCs**

As reported in the last issue of your fund, the trustees of the UPF are keen to ensure that you have a choice when it comes to the investment of their Additional Voluntary Contributions (AVCs).

Since contributions to Equitable Life were stopped in August 2002, there has been 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 you greater variety in both the type of company and the type of fund they wish to invest in. To extend the choice, we are pleased to announce that Standard Life will become an AVC provider for the UPF, from a date which will be announced shortly.

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 have been working in pensions for over 200 years and are a well established company
- They are part of the Zurich Financial Services Group, which has offices around the world
- The contributions paid to them are invested on their behalf by Threadneedle, a sister company within the Zurich Group
- They have £47.5 billion in funds under management (as at 30 June 2002)

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 12000 employees
- They are a provider under the Bestfoods Scheme
- They currently have in excess of £75 billion in funds under management worldwide

If you are not already paying AVCs there are several reasons why you should consider starting as they are a useful way to increase your income in retirement.

Examples of when you may need AVCs are:

- If there was a period when you were not in pensionable service
- If you have other non pensionable earnings, for example the fund may not take into account all of your car allowance, overtime, commission etc
- If you wish to retire early on an unreduced pension
- If you wish to take some of your benefits as tax free cash then the amount of pension you take will be reduced and AVCs can top up your pension to compensate for this.

AVCs are specifically designed as a way of saving for retirement and they have a number of special advantages

- Tax relief at your top rate of income tax
- Interest and investment earnings are tax free
- You can choose how much to contribute as long as your UPF contributions and AVCs together do not exceed 15% of your total taxable pay (this may be restricted if it looks like your benefits will go over your IR maximum benefits)
- They are deducted straight from your pay and invested for you in a fund of your choice
- The fund builds up on a money purchase basis, which means the pot of money you build up is converted to pension at retirement. You have your own individual fund so you can keep track of the money you are saving for retirement
- They can be used to buy pension for yourself or your spouse/dependants

If you would like more information about paying AVCs please contact people*link* or UKPD.

we're here to **the bigge**

As you may already know, UKPD are not allowed by law to give you financial advice. All we can do is give you information.

However, sometimes it helps to see the broader picture. The Financial Services Authority, the body which regulates financial advisers, has published a range of helpful leaflets

transfers in

-added years or pension basis?

If you were to decide to transfer your entitlements held by a previous pension arrangement into the UPF, these entitlements are currently used by the fund to purchase 'Additional Rights'.

The existing method is for the transfer value (the cash equivalent of your previous entitlements) to purchase a specified pension amount payable from the UPF at age 65. This amount then increases each year at the same rate applied to UPF pensions in payment. When you retire, this is paid in addition to your main fund benefits.

Once in payment, this Additional Rights pension is treated in the same way as your main pension entitlement. The only difference will be that the Additional Rights pension is payable at 65; and therefore if you retire early with a pension paid immediately, the

Mr A Sample joined the UPF in 2002 and decided to transfer his pension benefits from his previous employer into the UPF in 2003. At that time, the transfer value bought him an additional 3 years 6 months service.

In 2008, at age 47, he decides to leave Unilever and his preserved benefits are calculated as follows:

Service at leaving:

UPF	6 years
Transferred in	3 years 6 months
Total	9 years 6 months
Final Pensionable Pay at leaving	= £20,000
Lower Earnings Limit at leaving	= £3,900

The calculation of Mr Sample's benefits are therefore:

(£20,000 x 9.5/60) - (£3,900 x 9.5/80)	= £2,703.54 per annum
Spouses pension is 50%	= £1,351.77 per annum

Additional Rights pension is reduced from age 65 and not age 60 as is the case for UPF benefits at the present time.

The trustees have now decided to offer members the alternative option of purchasing additional service from transfers in. In future, you will be offered two different ways of purchasing additional benefits in the UPF using transferred in benefits.

From the middle of 2003, if you transfer in benefits, you will also be offered the option to purchase additional service with your transfer. An actuarial calculation will be done to work out how much service has been bought based on your current Pensionable Pay, age and the transfer value available and this additional service will be added to your pension record. When you leave or retire, your transferred in service will be added to your actual UPF service and your benefits will then be calculated in the usual way based on service and pensionable pay at leaving.
For example see above:

With this method, transferred in benefits are linked to Pensionable Pay and remain so until you leave or retire, whichever is earlier. Transferred in benefits expressed as Added Years will therefore be linked to increases to your Pensionable Pay and will not be linked to retail price inflation until you retire. The existing method, which buys you a pension, is linked to price inflation before the pension commences.

This new option will be available to you from mid 2003. If you have previously transferred in benefits on the existing Additional Rights basis and you still work for Unilever you will also be given the option to convert your transferred in Additional Rights benefits to the Added Years basis. UKPD will contact you if you are affected by this nearer the time.

At this stage the trustees have decided to offer this facility to members transferring in benefits only but purchasing additional benefits as Added Years may also be extended to AVCs. This will be reviewed again next year and you will be advised of any changes to the AVC choices available.

help you see

er picture

providing unbiased information on a range of financial matters, including how occupational schemes and personal pension schemes work, and general information on your rights as a member. These leaflets are available on the FSA website – www.fsa.gov.uk or by calling the FSA consumer helpline on 0845 606 1234.

what pension will I receive **from the state?**

This is a question you may be asking if you are approaching retirement, particularly if you are thinking about retiring early, as it helps to give you a more complete picture of your total likely benefits.

The amount of state pension you may receive depends on your individual circumstances and employment history. If you have a full history of National Insurance (NI) contributions (you have been an employee in the UK for at least 44 years if you are a man and 39 years if you are a woman) you would currently receive a Basic State Pension of £75.50 per week although in certain circumstances you may receive NI credits. If you do not have a full NI history, then the amount of Basic State Pension would be reduced accordingly.

You may also qualify for additional State Pension if you participated in the State Earnings Related Scheme in previous employment before joining Unilever.

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 on her age but the maximum amount is currently £45.20 per week.

To receive a forecast of your State Pension entitlement, you need to complete Form BR19 which can be obtained from your local Department 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 should 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.

If you do nothing, the DWP will contact you 3 to 4 months prior to your State Pension Age inviting you to claim your pension. The State Pension age is 65 if you are a man and 60 if you are a woman (but note that the age for women is increasing to 65 during 2010 to 2020).

If you are approaching retirement, or thinking about retiring, there are various books and publications that you may find helpful in planning for retirement. One that we can recommend is published by Choice. Called 'Successful Retirement', it is updated each spring to incorporate the latest tax and benefit rates.

You can obtain a copy by phoning 01858 438859.

now modelling **... your pension**

UKPD's new pension modeller went live on our website, www.myupfpension.co.uk during November, after an initial trial period.

The modeller, which can be found by clicking on the Pension Online button, allows those of you who have received a benefit statement automatically from us (not on request) to access a secure area of the website, using a password, obtained by registering on site, to explore your benefits further. While this facility is technically 'state of the art' it is highly user-friendly, and is designed to enable you to see the effect on your pension of varying your retirement date, paying AVCs, getting promotion etc.

Our next challenge is to open this option to everyone; we'll report on progress made in this direction in the next issue of **your fund.**

Any Questions? Then just ask ...

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