November 2005

Staying in touch

The Unilever UK Pension Fund

Legislative update

6 April 2006 is A-day. It's a date on which many changes affecting pensions will take place. What are these changes and what do they mean to you as a deferred member of the UUKPF?

For many people, the subject of pensions seems uninteresting and vastly complex. The cut-back in benefits from some final salary schemes (as a result of business failures and poor stock market performance), combined with bad press, has led to a feeling of confusion and mistrust. It is this lack of confidence, combined with the increased 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 facts about pension saving in the UK:

- 9 million people are not saving enough for their retirement (Source: Pensions Commission estimate).
- £27 billion a year is the current estimation of the pensions savings gap. This is the extra amount Britons should be saving to secure a comfortable retirement. (Source: The Pensions Commission).
- 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, i.e. 40 year olds should be setting aside 20% of their salary (Source: Legal and General).

How is the Government responding?

The Government has responded by making a number of changes to UK pensions. Changes include the introduction of the Pension Protection Fund (PPF), which was set up in April 2005 and designed to pay compensation to members of final salary, or similar type pension schemes, who lose all or part of their pension due to their employer's insolvency. Another change is the introduction of a new Pensions Regulator which has the authority to investigate occupational schemes and put things right where problems, or risks to members, have been identified. And A-day marks a further change, with the implementation of a new pension tax regime.

Taken together, these changes are designed to increase security and to give the majority of people greater flexibility in when and how they save for retirement, as well as more opportunity to save tax-efficiently.

What are the main legislative changes?

A summary of the main changes relevant to deferred members are outlined in the text box opposite. For details on how these changes affect your ability to contribute to pension schemes and for other details, please refer to your current pension provider or to an Independent Financial Adviser (IFA).

The new pension tax regime

HM Revenue and Customs is simplifying the existing complex tax structure of UK pensions. Instead of various limits affecting different elements of pension saving, two new allowances are being introduced:

The Annual Allowance
This is an allowance on the amount of contributions and/or benefits that you can build up tax-efficiently *each year*. Apart from the year in which you take your benefits, the pension contributions you make and/or the annual increase in the value of your deferred benefits will be tested against the Annual Allowance. Initially, the Annual Allowance will be 100% of your earnings (up to £215,000) increasing to £255,000 by 2010/11. Any contributions paid or benefits built up above this threshold will be taxed at 40%.

Lifetime Allowance (LTA)
This is an allowance on the total value of pension benefits that you can build up tax-efficiently *during your lifetime*. The value of your total pension savings will be checked against this allowance, initially £1.5 million, increasing in steps to £1.8 million by 2010/11. Benefits above this amount will effectively be taxed at an overall rate of 55%.

***Important note:** individuals who have already built up benefits that exceed the initial £1.5 million LTA at A-day (which equates to a total pension of £75,000 p.a., if those pensions have not yet come into payment) can take steps to reduce the new tax by registering for transitional protections (known as either Primary or Enhanced protection). If you think that this may be applicable to you and/or you would like further information on these allowances, please refer* *to page 7 for relevant contacts**, or speak to an IFA.*

How does A-day affect me?

You will have the opportunity to pay into more than one pension plan at the same time

What's the current situation?
If you earn more than £30,000 per year, you cannot pay into a stakeholder or personal pension whilst you are a member of an occupational scheme.

What's changing?
As of April 2006, you will have more flexibility and choice about when and how much you can save for retirement. From A-day, you will be able to contribute to any number of pension plans at the same time, whatever you earn. You will receive full tax relief on contributions up to an Annual Allowance (as detailed above). As a deferred member of the UUKPF, however, you will not be able to make further contributions to the UUKPF.

You will have the potential to take more tax-free cash at retirement

What's the current situation?
The absolute maximum tax-free lump sum that you can take at retirement is generally worked out as 1.5 times your salary, up to certain limits (this may be reduced if you have less than 40 years service). If you started paying Additional Voluntary Contributions (AVCs) after March 1987, these cannot be taken as cash.

What's changing?
As of A-day, you will be able to take up to 25% of the value of your pension as tax-free cash, which should normally be more than you could take under the old rules (it may be lower for some UUKPF members on relatively high pensions, particularly those who joined the Fund before 1987). All AVCs may be taken as cash, within this 25% limit. Full details of the options available will be given to you as you approach retirement.

There will be a change to the early retirement age

What's the current situation?
You can normally take your pension from age 50, although it is subject to a reduction for early payment.

What's changing?
From April 2010, the earliest you will be able to take your pension by law will be age 55 (unless, due to membership of a previous scheme taken over by the UUKPF, you have the right to take your benefits at an earlier age). Your UUKPF pension will still be subject to a reduction if taken before 65 years of age, although currently, with company consent, benefits are reduced from age 60 only.

Financial development of the Fund

The Unilever UK Pension Fund Fifth Report and Statement of Accounts (for the year ended 31 March 2005) is now available by request. John Wilcock, Financial Controller of the Fund, outlines some of the highlights below.

The recovery in the value of the Fund's assets continued during the year ended 31 March 2005. Over the last two years the value of the Fund's assets has increased by more than 20%.

Expenditure £265m

Benefits paid (Pensions and lump sums)	£241m
Transfers to other funds	£8m
Expenses	£16m

Income £229m

Investment Income	£104m
Contributions	£122m
Transfers from other funds	£3m

Expenditure during the year, mainly benefits in the form of pensions and lump sums, exceeded the Fund's income by £36 million (see diagrams above). Company and member contributions have been payable at the full rate since January 2004. Contribution income also includes Special Company Contributions payable at the rate of £62 million per annum since January 2004. Contribution levels will be reviewed later this year based on the results of the 2005 actuarial valuation.

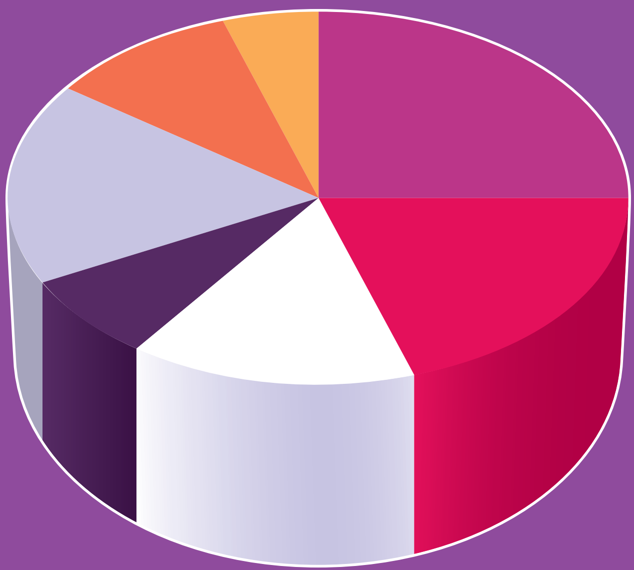
The Fund's assets are invested in line with the investment strategy which is set by the Trustees, taking account of the liability to pay benefits into the future. The diagram on the right illustrates the current strategy, which will also be reviewed in light of the valuation results.

The Fund's investments are managed by the following external investment managers:

Equities	Barclays Global Investors, Capital International, Fidelity and Goldman Sachs
Bonds	Deutsche Asset Management, Goldman Sachs and Prudential M&G
Property	CB Richard Ellis
Private Equity	Pantheon Ventures

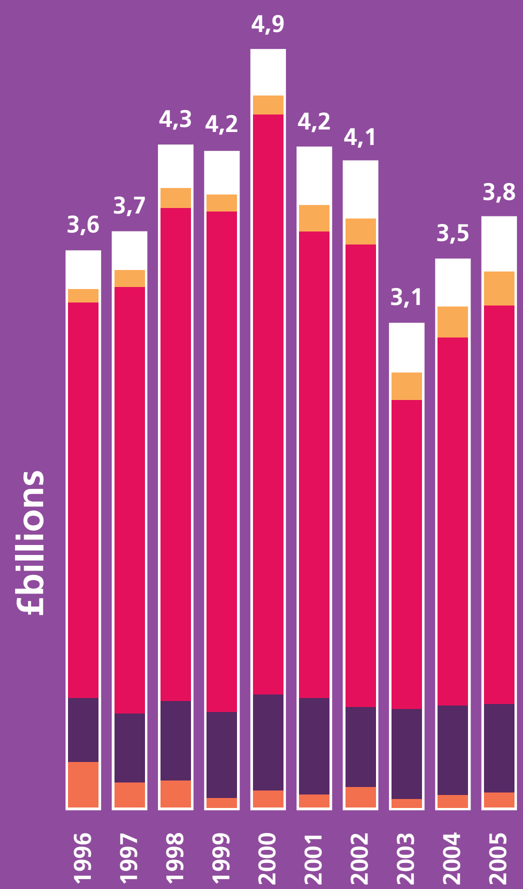
During the year ended 31 March 2005 the Fund's investment managers achieved a collective return of 11.9%. This return reflects the continued recovery in global equity markets following an extended period of negative returns. Over the last ten years investment returns averaging 7.8% a year have been slightly ahead of the comparable market indices and well ahead of inflation, as measured by the Retail Prices Index, which averaged 2.6%.

If you would like a copy of the Unilever UK Pension Fund Fifth Report and Statement of Accounts (for the year ended 31 March 2005), please contact the Fund Secretary, Andy Rowell. Write to him at Unilever UK Pensions (see address on page 7) and remember please to quote your pension record number.



Investment strategy

UK Equities	*25%*
North American Equities	*20%*
European Equities	*15%*
Japan/Pacific/Emerging Market Equities	*7.5%*
UK Bonds	*17.5%*
Property	*10%*
Private Equity	*5%*



Value of investments 1996 - 2005 *(as at 31 March)*

- Property
- Private Equity
- Ordinary Shares
- Fixed Interest
- Cash, Deposits and Others

Your deferred UUKPF pension

How is my pension calculated?

Your UUKPF pension was calculated when you left active membership of the Fund. It is based primarily on the length of your pensionable service and your final pensionable pay on leaving the company.

If you became a deferred pensioner after April 1978, and you joined the Unilever Superannuation Fund (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 UUKPF pension, once in payment, will not be less than your GMP. The GMP is revalued up to the date it is payable in accordance with statutory rules.

Will my pension increase?

Your deferred benefits from the UUKPF will receive regular increases, both before and after you retire, if the cost of living increases. This increase is applied on 1 April of each year, and in April 2005 the increase was 3.2%. If you left the company's service after 1 April 2004, your deferred pension qualified for a proportion of this increase on a sliding scale.

Generally, the increase is based on the annual rate of inflation, according to the Retail Prices Index. However, any increases above 5% require the consent of the company.

How do I get my benefits?

Normal retirement
A few months before your benefits are due, the Unilever UK Pensions Team will write to you to explain your options. Once you have replied to their letter, they will write to you to finalise the details.

When you come to draw your pension, you may be able to take a tax-free cash lump sum as well as a pension (although this may mean giving up some of your pension in exchange for the cash lump sum).

Early retirement
It may be possible for you to take your benefits before your normal retirement age of 65, but the amount will be reduced for early payment. As mentioned on page 3, the Government is raising the early retirement age from 50 to 55 years of age from 2010.

Who receives my pension if I die?

If you have completed and returned a nomination form, any lump sum death benefit will be paid to the person(s) specified on Part A of your nomination form (if that form is valid at the date of your death). In any other case, the Trustees of the UUKPF, under the rules of the UUKPF, will pay the lump sum death benefit to one or more beneficiaries as appropriate at their discretion.

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.

For these reasons it is important to ensure that your nomination form is up to date, especially if your personal or family circumstances change. You can obtain a nomination form from www.uukpf.co.uk, under "governing documents" and return it to the Unilever UK Pensions Team at Hewitt (see contact details on page 7).

Important note: Your benefits at retirement will be calculated in accordance with the fund rules applicable at the date you became a deferred member, subject to any later amendments applicable to you. The information contained in this magazine is for guidance only and confers no rights to benefits.

Contacts

You may have noticed that we have changed the name of the pension fund. Across Unilever, business names are being re-aligned to reflect the new stronger 'One Unilever' brand identity. From 1 April 2005, the name of the Unilever Pension Fund changed to Unilever UK Pension Fund (UUKPF). Also, the pensions team name changed to Unilever UK Pensions (UUKP).

Contact us

If you have a query about your deferred pension benefits, or wish to inform us of a change to your address or circumstances, please contact:

Unilever UK Pensions Team
Hewitt Associates Outsourcing Ltd
6 More London Place
London
SE1 2DA

Phone: 0800 028 0051
(Freephone from within the UK)
+44 (0)20 7939 4909
(from outside the UK)

Email: unileverpensionsteam@hewitt.com

For queries or feedback regarding this publication or to request a copy of the Report and Statement of Accounts, please write to:

Unilever UK Pensions
Walton Court
Station Avenue
Walton-on-Thames
Surrey
KT12 1UP

Please quote your pension record number whenever you contact us. This can be found on any correspondence from the UUKPF and on the envelope enclosing *Staying in touch*.

Pension Tracing Service

Have you lost track of pension benefits built up with a previous plan? It is important that you keep track of the pension benefits that you are building up over your working life – especially if you think you may be affected by the Lifetime Allowance. If you need assistance in finding a previous pension plan, contact the Department for Work and Pensions.

Department for Work and Pensions – Pension Tracing Service
Whitley Road
Newcastle Upon Tyne
NE98 1BA

Phone: 0845 600 2537

Web: www.thepensionservice.gov.uk

When contacting the Pension Tracing Service, you will need to provide the name of the Company for whom you were working, the dates of your employment and/or the name of the pension fund.

Want to know more?

Unilever UK Pension Fund website	**www.uukpf.co.uk**
The Pensions Regulator	**www.thepensionsregulator.gov.uk**
The Pensions Commission	**www.pensionscommission.org.uk**
HM Revenue and Customs	**www.hmrc.gov.uk**
A list of Independent Financial Advisers	**www.unbiased.co.uk**

www.unilever.co.uk
www.uukpf.co.uk