Unilever UK Pension Fund

Winter 2013/14

Fund Focus

Your Unilever pension newsletter

From the Chair of Trustees

Welcome to our latest issue of 'Fund Focus'. Since our last edition, we have made some positive changes, improving our administration, investment and governance arrangements. In addition, despite the economic conditions, the Fund achieved strong investment returns during the year covered by the latest annual report and accounts (2012/2013).

Over the year the assets of the Defined Benefit section (that is, the Career average and Final salary plans) achieved a return of 15.7%. This is encouraging, but we focus more on the change in our funding level – that is, the percentage of our estimated liabilities covered by our assets. We are expecting the results of the latest valuation of our liabilities (at 31 March 2013) to be finalised in early 2014.

However, despite the recent positive investment returns and Unilever's significant contributions, we anticipate the results of the valuation will show a funding deficit. This is mainly due to the fall in yields on government bonds which have an impact on how we measure the Fund's liabilities. We are not unduly concerned by this, given Unilever's strong financial position and in particular the fact that the deficit is relatively small compared to the size of the business. That said, we do not take this situation for granted and will continue to monitor developments closely.

You can read at greater length inside about the significant development we have made to our investment approach over the year, as well as our first steps in evolving our policy on responsible investment.

In the last issue, we told you about a review of the way we work (our 'Trustee effectiveness') by Independent Audit Limited. In light of the recommendations made following the review, we have made some changes to our governance and ways of working. This has included reorganising our Committee structure – you can find the full details inside. In addition, as defined contribution benefits become increasingly relevant for us, we have stepped up our investment monitoring and governance for the Investing plan in particular.

We also took the opportunity to review our administration contract with Aon Hewitt following the July 2012 benefit changes, resulting in an improved service – and lower fees.

This is my last introduction to Fund Focus as my second and final term of office comes to an end on 31 May 2014. While we have faced many challenges during my tenure, I have enjoyed my time as Chairman, and I believe the Fund is in good shape for the future. We have already started recruiting for my successor so that they are appointed in good time for my departure.

Finally, I would like to thank my fellow Trustees for their continued hard work in overseeing the Fund, alongside Unilever's in house pension teams, both those in Unilever UK Pensions and the Univest Company. Their ongoing enthusiasm and professionalism has made my job as Chairman of the Fund during a period of considerable change much easier than it might otherwise have been.

Liz Airey

We hope you like the new look we have given 'Fund Focus' this year.

As those of you still working at Unilever will know, we have kept in line with our corporate brand, while making sure it has some differences marking it out as a Fund publication.

Trustee updates

Our role: a reminder

The Trustee of the Unilever UK Pension Fund is a company – the Unilever UK Pension Fund Trustees Limited. There are 11 directors on the Board of the Trustee Company who we generally refer to as "the Trustees".

As Trustees, we are aware that some of you may not know what our role overseeing the Fund involves. Here is a brief summary.

We have certain key 'objectives', or aims – which you can see on the right. We share these aims as a group, and take many decisions jointly at 'Board level' – that is, involving all the Trustees. But to spread the workload, we also work in Committees – each focusing on a particular area of running the Fund. Two of our Committees include individuals from outside the Trustee board who provide specialist input on their particular field. One Committee also has a non-Trustee Company representative. You can read more about the Committees in the "Committee reshuffle" section opposite.

Some of you may be surprised at how time-consuming a Trustee's work can be. It is worth getting an idea of the commitment involved, should you ever decide to stand in a Trustee election yourself:

- The whole Board normally meets four times a year, to discuss and take decisions over managing the Fund.
- There are normally two additional sessions throughout the year for training and for strategy discussions.
- The Committees also meet four times a year, specifically to discuss their particular remit.
- In addition, we set up special working parties as required to deal with specific issues and topics.

So – while running the Fund certainly keeps us busy, it means that the Board is made up of dedicated and enthusiastic individuals who strive to make sure that the Fund is well managed and that it pays members' benefits as and when it should.

- ✓ Make sure the Fund is run in line with its own rules and pension law
- ✓ Invest and protect the Fund's assets
- ✓ Oversee funding so that there will be enough assets to pay members' benefits
- ✓ Make sure the Fund collects contributions and pays benefits correctly
- ✓ Support communication to members that allows them to make informed decisions

Changes to the Board

In June 2013, one of our Company-appointed Trustees, Martin Grieve, left Unilever and, accordingly, stepped down from the Trustee Board. We would like to thank Martin for his service to the Fund, and welcome his successor Daniel Jones, who joined the Board in September.

In November, another of our Company-appointed Trustees, James Barnes, was promoted. This unfortunately meant that he needed to step down from the Trustee Board. James's replacement will be announced shortly.

Following these changes, the Board currently looks like this:

1 independent Chair of Trustees – Liz Airey

5 Trustees appointed by Unilever – Richie Furlong, Daniel Jones, Roger Reed, Mike Samuel, Vacancy

2 **active member**-nominated Trustees – Bill Hodgson, Mike Ridyard

2 **pensioner**-nominated Trustees – David Bloomfield, Richard Clark

1 **deferred member**-nominated Trustee – Philip Ratcliffe

Philip Ratcliffe, our first deferred member Trustee of the Fund, reaches the end of his term of office in Spring 2014. As a result, we will be carrying out a selection process for Philip's successor in early 2014.

Committee reshuffle

In brief

As a Trustee Board, the various tasks and duties we carry out continually evolve along with developments within the Fund and in line with changing pension laws and practices. After realising that we could improve the current format of the Committees, we decided to introduce a new structure, as follows:

- Audit & Risk Committee: This replaces the Governance & Funding Committee and focuses more closely on the important areas of audit and risk (as the title suggests). Governance issues are now generally dealt with directly at Board level.
- Investment & Funding Committee: Previously known as the Investment Committee – now with added funding responsibilities (transferred from the old Governance and Funding Committee).
- Defined Contribution Committee: This is a new committee set up to reflect the increasing importance of defined contribution benefits (available through the Investing plan) since the July 2012 benefit changes.
- Operation & Benefits Committee: This committee's remit has largely remained the same as in previous years, but certain activities have now moved to the new Defined Contribution Committee.

In detail

This section includes more information about the membership and activities of each Committee.

Audit & Risk Committee (ARC)

Philip Ratcliffe (Chairman)

Liz Airey

Mike Ridyard

David Bloomfield

(Secretary: **Jon Courtman**)

The ARC's key role is to act as the audit committee but also to oversee the Fund's risk management processes – and as a result, make sure that the Trustees' internal controls and processes are effective.

During 2012/13, its main activities included:

- reviewing new pension laws to assess their impact on the Fund, mostly relating to governance and risk;
- overseeing the Fund's yearly audit and the production of the Annual Report and Accounts;
- reviewing the independent auditor appointment, and recommending a change from PricewaterhouseCoopers to Grant Thornton;
- recommending KPMG as the Fund's new internal auditor and agreeing a three-year internal audit plan; and
- overseeing the Fund's risk management programme.

Investment & Funding Committee (IFC)

Mike Samuel (Chairman)

Catherine Claydon (Independent Investment Professional)

Richie Furlong

Richard Clark

(Secretary: **Karianne Lancee**)

The IFC recommends an investment strategy to the main Board and takes it forward once it is agreed. It chooses the Fund's investment managers and monitors their performance. Following the committee changes, the IFC also keeps track of the funding level (and any related issues) – although key funding decisions are made jointly by the whole Board.

Please see the update starting on page 6 for a round-up of investment activities during 2012/13.

Defined Contribution Committee (DCC)

Roger Reed (Chairman)

Ian Maybury (Independent DC Professional)

Richie Furlong

Mike Ridyard

Tim Munden (Company representative)

(Secretary: **Andy Dunlop**)

This new Committee looks at all the areas covered by the others – governance, investment, administration and communication – but solely focusing on the Fund's defined contribution arrangements – that is, the Investing plan and the AVC arrangements that were available to Final salary plan members. The first meeting of the DCC took place in December 2012.

So far, the DCC has:

- developed a set of guidelines to help the Board to measure its progress;
- drafted a governance plan setting out the full range of regular activities needed to oversee the running of defined contribution plans; and
- taken on certain tasks from the Operations & Benefits Committee that relate to defined contribution matters – for example, monitoring the Investing plan administrator (Fidelity) and providing relevant content for member communications like 'Fund Focus'.

The Investment update (see page 6) features latest performance details for the Investing plan funds.

Operations and Benefits Committee (OBC)

Bill Hodgson (Chairman)

David Bloomfield

Roger Reed (temporary member pending vacancy being filled)

Vacancy

(Secretary: **Peter Bewley**)

The OBC oversees the Fund's administration and communication to members. It reviews the performance of the Fund administrators (Aon Hewitt Ltd) on an ongoing basis and keeps track of any legal changes affecting benefits and administration. The OBC may also need to make decisions over payments of death benefits, and deal with any issues or disputes that may arise during the year.

Key activities during 2012/13 included:

- monitoring Aon Hewitt's work to improve the Fund's member records (overseen by an independent specialist, ITM);
- making sure the administration systems and services were able to adapt to the July 2012 benefit changes; and
- work on the new administration agreement with Aon Hewitt.

Benefits for civil partners

We are pleased to report that we have made a change to the rules of the Fund to provide civil partners with exactly the same benefits as spouses in the future. This means that if you die in service, or while as a deferred member or as a pensioner, and leave a civil partner, they will receive appropriate death benefits based on all of your pensionable service.

Previously, civil partners were entitled to the same benefits as a husband or wife but based only on:

- pension you built up from 5 December 2005 (when the law recognising civil partnerships took effect); plus
- additional 'contracted-out' benefits you built up between 6 April 1988 and 4 December 2005.

Members could nominate their civil partners to receive a spouse pension.

The rule change means that you no longer need to nominate your civil partner – they will automatically be eligible for benefits following your death.

Funding

The latest valuation of the Fund is now in progress, using information about the Fund at 31 March 2013.

The valuation is the regular formal 'healthcheck' of the Fund's finances, and we use the results to decide our ongoing funding approach and our 'funding target'. Valuations take place every three years – although we receive yearly updates on the Fund's position in the intervals between full valuations.

We base the funding target on the estimated liabilities of the Fund – its outgoings in benefits and running costs – with a 'safety margin' on top. The funding target takes into account our investment strategy and the Company covenant. ('Covenant' means a company's ability and willingness to support its pension scheme financially – and we believe Unilever currently has a strong covenant.) The funding target, also known as the 'technical provisions', must be agreed with the Company.

The actuary – the financial specialist who carries out the valuation – then works out the percentage of the funding target covered by the assets. This percentage is the funding level. If it is lower than 100%, there is a funding deficit to make up. (Given the economic conditions in recent years, this is a very common situation among UK pension schemes.) A funding level above 100% would mean the Fund had a surplus.

The most recent annual update estimated the funding level at 79% at 31 March 2012.

Because the valuation involves estimating how the Fund's finances will behave into the future, the actuary uses a number of assumptions, such as likely changes to member life expectancies, rates of inflation and salary increases – which all influence the value of the assets and liabilities.

Carrying out the actuarial valuation is a long and complex process, which can only start once we have agreed the assumptions with the actuary and the Company. The legal deadline for publishing the results is 15 months after the valuation date, which means we have until 30 June 2014, but we expect to finish it significantly before then. Once it is complete, we will send you the results in a 'summary funding statement'.

Investment

Investment strategy

As the Fund is mature – with a small number of active members compared to pensioners and deferred members – our investment strategy ultimately aims for self-sufficiency (that is, where the Fund is not dependent on the Company for potential contributions towards making up a deficit). As progress is made towards achieving this, the strategy reduces the level of risk as the funding level improves.

Currently, we still hold a high proportion of 'return seeking assets' (such as equities) in the Fund. These return seeking assets do not behave in the same way as the liabilities – so if the value of our liabilities goes up, the value of our assets may not increase to match it. To address this, our plan to manage the level of risk in the Fund will continue increasing the amount of assets that match the liabilities as market conditions and funding levels allow.

Over the year to 31 March 2013, we took further action to 'diversify' the Fund's assets – that is, spread them across a range of investments so that poor performance in one market or region need not affect the whole Fund. We decided to reduce the equity element of our 'strategic asset allocation' – the target asset spread we aim for – by 7.5%, and divide that amount equally between 'high yield' bonds and emerging market bonds. Both of these asset classes, we believe, offer good potential for growth but also provide regular income.

During the year we also made changes to our equity investments to achieve a better balance of investment styles and to move the equity allocation towards regions with stronger economies.

	2013 %	2012 %
UK equities	6.3	9.0
Europe ex-UK equities	7.5	11.5
US equities	21.2	23.0
Japan / Pacific ex-Japan / Emerging Market equities	15.0	14.0
Total Equities	**50.0**	**57.5**
Index Linked Gilts	5.0	5.0
Investment Grade Corporate Bonds	14.0	14.0
High Yield Bonds	3.7	0.0
Emerging Market Debt	3.8	0.0
Total Bonds	**26.5**	**19.0**
Property	**10.0**	**10.0**
Private equity	**6.0**	**6.0**
Hedge funds	**7.5**	**7.5**
Cash	**–**	**–**
Total	**100.0**	**100.0**

This table shows how the strategic asset allocation has changed from 31 March 2012 to 31 March 2013. Remember that this is our target asset spread, so the actual allocation will constantly vary as investments rise and fall in value. You can find the actual asset spread on 31 March 2013 on page 14.

In previous issues, we have discussed our 'liability driven investment' approach, or LDI. This approach is where we choose some of our investments for the Fund whose value is expected to rise and fall broadly in line with the Fund's liabilities. In particular, this involves using what are known as hedging strategies to help protect the Fund's assets against the effect of changes in interest rates and inflation.

When market conditions reach certain 'trigger points' that we have identified we seek to increase the level of such hedging. During the year, we reached one of our inflation trigger points and so we increased our level of hedging against further increases in inflation. We also agreed to adopt a slightly different trigger approach and decided to increase our level of LDI.

You can read more details of the investment strategy and its implementation in the Investment report of the Annual Report and Accounts which is available to download from the Fund website.

Investing responsibly

We regularly review our investment procedures to make sure they reflect best practice as well as any developments in the industry. In the same way that the Company has recently increased its focus in areas such as its environmental and social impact as set out in the Unilever Sustainable Living Plan, we have developed our own environmental, social and governance (ESG) policy for the Fund.

As part of this evolution, during the year, the Trustees asked the Univest Company (Unilever's in-house investment services company) to arrange some additional services to help us act in line with this policy. Univest has in turn appointed the following providers:

- Hermes Equity Ownership Services Limited - to encourage companies in the areas of good governance and environmental practices. It will also exercise our share ownership voting rights in line with our standards.
- Sustainalytics B.V. will provide a screening service, analysing portfolios of shares that are held (or might be held) by the Fund in line with the ESG policy.

With this policy, our aim is to strengthen the Fund's position as a responsible shareholder.

Administration

Automatic enrolment

Over the summer, Unilever wrote to employees about the new 'automatic enrolment' laws which, broadly speaking, require companies to place employees that meet certain eligibility conditions into a pension scheme that meets the necessary Government standards. The idea is to prompt more people into saving for their retirement, and it is now the responsibility of the employee to opt **out** of their company scheme if they do not want to take part, rather than to join in the first place.

Under the new rules, employers receive a 'staging date' – the initial deadline for getting automatic enrolment up and running – with the option to postpone it for up to three months. (Staging dates vary from company to company depending on their size, with the largest companies staging first.) Unilever's staging date was 1 April 2013, and the Company took up the option to postpone to 1 July 2013.

We were pleased to note that to a large extent, Unilever and the Fund were already in line with the new laws. Unilever has long been committed to offering employees a valuable pension scheme and already enrols new starters as soon as they join the Company. And on the practical side, the Fund more than satisfies the Government's 'qualifying scheme' conditions.

As a result, much of the work at Unilever revolved around enrolling employees who had previously decided to opt out. The exercise brought to light some encouraging statistics:

- Before staging, our active membership stood at over 7,500. We found there were only 329 non-members we needed to enrol.
- 242 of these employees chose to stay in the Fund after being enrolled.
- 52 of the 87 who opted back out chose to do so as their benefits are already at (or close to) the HM Revenue & Customs lifetime allowance level for tax efficient pension saving.

It is good to have figures like this to confirm that the overwhelming majority of employees recognise the advantages of saving through the Fund and choose to stay as members.

While there are now very few employees outside the Fund, members can opt out at any time – so the number of non-members may well increase slightly. The measures require us to enrol – again, if necessary – these employees into the Fund regularly (normally every three years) and as before, the responsibility is theirs to opt back out if they want to.

Finding out more

Please contact Enterprise Support HR Services if you have a question about your plan or individual benefits, or your personal details change.

Phone: 0800 028 4390

E-mail: es.hrservicesuk@unileverhrservices.com

Fund information

The Fund's official documents include:

- the formal Fund annual report and accounts (containing full details of the Fund's financial development over the year);
- the latest report on the plans' funding (we base the information in our summary funding statements on this report from the actuary);
- the recovery plan (which sets out the steps the Trustees and the Company have agreed to make up the deficit identified in the latest valuation);
- the statement of funding principles (which explains the arrangements that are in place to make sure the Fund has sufficient assets to cover its funding target);
- the schedule of contributions (which shows how much money members and the Company are paying into the Fund);
- the statement of investment principles (where the Trustees outline their approach for investing the Fund's assets); and
- the trust deed and rules, the document governing how the Fund is run.

If you would like copies of any of these documents, please contact:

The Fund Secretary, Unilever UK Pensions, Unilever House, Springfield Drive, Leatherhead KT22 7GR

Help at hand

The plan website: **www.uukpf.co.uk**

There is a wealth of information on the website on the Career average, Investing and Final salary plans, as well as all the forms and other documents you may need to download. We will post news on the site from time to time, so please take time to visit it every now and then.

Please use the on-line feedback form to let us know what you think.

Send us your thoughts

Do you have any feedback to give us on 'Fund Focus'? Any particular likes or dislikes – or anything you would like to see covered that we do not include already?

If you have any comments, please send them to the Communications Manager at the Leatherhead address on the left.

This year, we have also included a member survey in certain issues of 'Fund Focus'. If you have received a copy, please take the time to fill it in and return it – we appreciate your time and want to hear your views.

(Note: While we felt it was impractical to gather responses from over 80,000 of you, we have made sure that the surveys have gone to a representative sample across all member groups.)

Snapshot: your pension arrangements

We are aware that some of you may be relatively recent Career average plan members – whether through moving from the Final salary plan following Unilever's pension changes in July 2012, or joining the Fund for the first time following the new automatic enrolment measures. With this in mind, we thought it would be useful to include brief summaries of the Career average and Investing plans for your reference.

Career average plan

Your pension is based on:

- your pensionable earnings between two levels – for 2013/2014, the lower level is £5,675 and the higher level is £51,600; and
- your 'plan years' of pensionable service (the 'plan year' runs from 1 April to 31 March).

So, if we assume your pensionable earnings are £25,000, the salary figure we use to work out your pension is £25,000 – £5,675 = £19,325.

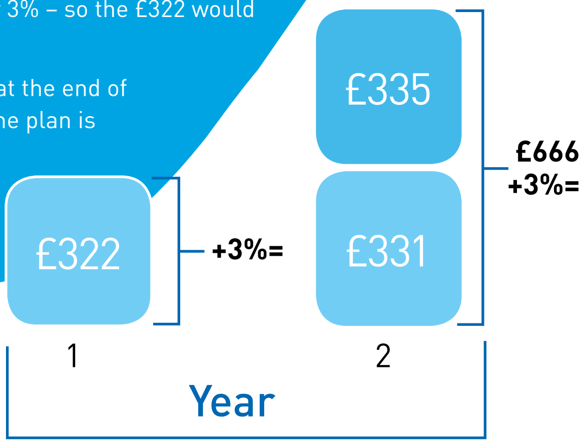
Your first year's worth of pension would be 1/60 x £19,325 = £322 a year.

In your second year of membership, we will assume your pensionable earnings are now £26,000 and the lower level has gone up to £5,880. So, we base your pension on £26,000 – £5,880 = £20,120.

Your second year's worth of pension would be 1/60 x £20,120 = £335.

Your 'first year' pension amount receives an increase in line with inflation, say 3% – so the £322 would go up to £331.

So your total pension at the end of your second year in the plan is £335 + £331 = £666.



This pattern continues throughout your membership – you earn a yearly pension amount in each plan year of pensionable service, and the total of the pension amounts you have already built up in previous years receives an increase in line with inflation. In the plan guide, you can follow this example through four years' worth of figures to get a more detailed idea of how this works.

Your monthly contribution is 5% of your pensionable earnings, also between the two levels. You can make extra contributions if you want to, through the Investing plan (see the next page) – and Unilever may match some of these.

In addition, Unilever will pay a contribution of 12.5% of any earnings you have above the higher level, either into your Investing plan account, with your salary, or a mix of both. (You just have to bear in mind that if you take some or all of this contribution as cash with your salary, some of it will be deducted as tax, and Unilever will not match any extra voluntary contributions you make.)

Unilever also meets all of the other plan costs not covered by contributions from members or income from investments.

During your membership, protection benefits are in place for you and your family should you fall ill or die while you are still at Unilever and building up pension. You will normally draw your pension at age 65, but there is flexibility for you to retire early if you want to – although you must have the consent of the Trustees and Unilever, and your pension will be reduced to allow for the fact it is expected to be paid for longer.

Investing plan

The Investing plan is the defined contribution section of the Fund. Following on from the Career average plan summary on the previous page, there are two reasons you might belong to the Investing plan:

- you are making extra voluntary contributions, or
- you choose to take part or all of the '12.5% contribution' from Unilever (on your earnings above the Career average plan higher level) as a payment into an Investing plan account.

You can choose how to invest your account from a range of fund choices. Our remit as Trustees is to keep the funds under review and make changes where necessary, so that there are appropriate options available to our members, in line with our rules.

In turn, however, it is your responsibility to make sure that the funds you have chosen from the range – as well as the level of contributions you are making – are still suitable for your current situation and aims for retirement.

We prompt you to do this each year during our annual renewal process, but bear in mind that you can change your variable contributions and investment choices at other times of the year, too. Remember to use the modeller on the Fund website to give yourself an idea of how any changes you make might affect your benefits. (Have to hand your latest renewal document with your current details and choices on it.)

You can find more details of the funds in the fund fact sheets, and change your fund choices at any time, on PlanViewer, Fidelity's online investing service. If you have any questions about accessing PlanViewer, please call Fidelity's Pension Service Centre on 08457 234 235.

Remember that if you do not make a clear decision about investing your account, it will go into a 'default' option. The default option invests your account in the Moderate Growth Fund, until 10 years before your retirement date, when it will start to switch automatically into the Cash Fund. (If you have not chosen a target retirement date, the switch will start at age 55 on the assumption that you will retire at 65.)

Protection benefits: a reminder

We want to take the opportunity this issue to clarify how death benefits might be paid from the Fund in line with your wishes.

If any cash sum is payable, the Trustees will normally make the payment in line with the instructions on your nomination form.

You will have completed a nomination form for cash sum benefits when you joined the Fund. Since then, your circumstances may have changed – so it is important to keep the Trustees informed of your wishes by keeping your nomination form up to date. You can download a form from the website, or contact Enterprise Support HR Services (see page 8) for a copy.

For more details on situations where a cash sum might be payable from the Fund (broadly speaking, these are if you die in service, between leaving and retiring, or less than five years after you retire), please see the 'Protection for you and your family' section of your Career average plan guide.

However, different rules apply to any **pension** payable following your death. If you leave a surviving eligible husband, wife or civil partner, they will automatically receive a pension (unless you have chosen otherwise – see right). Your children will also receive pensions automatically, if they are under 18 (or 23, if they are in full-time education).

(Your husband or wife is automatically eligible for benefits on your death if you were married to them before your Unilever employment ended. Civil partners are entitled to the same benefits as a husband or wife.)

For this reason, it is particularly important to let Enterprise Support HR Services know as soon as possible if you get married, register a civil partnership or become a parent. (They will need to see copies of the marriage or civil partnership certificate, and your new partner's or child's birth certificate.)

However, you can put forward another dependant to receive this pension in the event that you do not leave a surviving eligible husband, wife or civil partner, using the 'dependant pension request form'.

Please bear in mind these important points about this benefit:

- You can only nominate someone for the pension who qualifies as a 'dependant' – that is, someone who relies on you financially, or on your joint income, or because of ill health or permanent disability. This is different from the cash sum nomination form, where you can nominate any person (or organisation or charity).
- It sounds obvious – but we will not necessarily be able to identify a dependant on your behalf after your death, and our rules require us to know who they are in advance. So, we must receive your form and confirm back to you that the person you have named qualifies as a dependant before you die. If this does not happen, and there is no surviving partner either, then no dependant's pension will be payable.
- The dependant you name on the form must still qualify as a dependant at the date of your death to receive the pension. So, for example, if their circumstances change so that they no longer relied on your income, they would not receive the benefit.
- If you are married or in a civil partnership, you have the option to apply for a dependant to receive a pension following your death in **addition to** your surviving spouse or civil partner. The amount payable to the dependant is taken off your partner's pension, so that the overall value of the benefit is as if a single pension had been paid to your partner as normal.

You can download the 'dependant pension request form' from the Fund website.

If you cannot access the website, or you would like more details and a quote of the cash sum and spouse's pension payable if you were to die in pensionable service, please contact Enterprise Support HR Services.

Tax allowances: 2014 changes

The annual allowance is the yearly amount of tax efficient pension savings you can build up in registered pension schemes before a tax charge arises (the 'annual allowance charge'). The annual allowance is currently £50,000, but is reducing to £40,000 from April 2014.

Pension savings are measured against the annual allowance over a 12-month 'pension input period', which for the Fund is 1 April to 31 March. The new annual allowance level will affect your pension savings from 1 April 2014.

You can broadly estimate your pension savings against the annual allowance by:

- working out the pension you have built up over the year – that is the difference between your total pension at the start of the year (allowing for inflation over that time) and your total pension at the end of the year – and multiplying it by 16.

Then add the amount you get to:

- any contributions into the Investing plan (including contributions paid by Unilever); and
- any contributions you have made to registered pension schemes outside Unilever (such as a personal pension).

Most people are not affected by the annual allowance, but you may need to bear it in mind if:

- you make high levels of extra voluntary contributions; or
- you are on a high salary and are taking all of your Unilever 12.5% contribution as a pension contribution (instead of cash).

You can find more information in our annual allowance leaflet. This is available to download from our website www.uukpf.co.uk or by contacting Enterprise Support HR Services (see 'Finding out more' section on page 8).

The lifetime allowance is the total amount of registered pension scheme benefits you can build up over your working life before a tax charge arises (the 'lifetime allowance charge'). The lifetime allowance is also reducing from April 2014, from £1.5 million to £1.25 million.

Broadly, the savings that count towards the lifetime allowance are:

- any yearly Career average plan pension you have built up to date (this time, multiplied by 20 to compare with the lifetime allowance);
- any yearly deferred Final salary plan pension (again, multiplied by 20);
- the value of your Investing plan account, if you have one;
- the value of any registered pension scheme benefits outside Unilever; and
- any yearly pensions you are already receiving from registered pension schemes (multiplied by 25 this time).

Like the annual allowance, the lifetime allowance does not affect most people, but you would have to pay a significant tax charge if you went over it. With this in mind, it is important to keep track of your benefits both in the Unilever plans and in arrangements outside Unilever.

If you think you are close to, or over, the reduced lifetime allowance, you may want to protect the benefits you have built up by applying for 'fixed protection 2014' from HM Revenue & Customs. You have until 5 April 2014 to apply. This allows you to keep a lifetime allowance of £1.5 million, but you cannot build up any further pension once your benefits are protected.

A new type of protection - 'individual protection 2014' - will be available in summer 2014. The details are still to be confirmed, but it is likely that under this option, if the value of your savings at 5 April 2014 is at least £1.25 million, you can apply for a 'personal lifetime allowance' equal to the lower of the value of your benefits at that date and £1.5 million. You can continue to build up further benefits without losing this protection, but you could face a tax charge when they are paid if they exceed the personal lifetime allowance.

Please contact Enterprise Support HR Services in the first instance, if you think you may be affected by the lifetime allowance.

Facts and figures

This section of 'Fund Focus' gives you a summary of the headline information from the formal report and accounts. The report itself contains the full details on all the items featured here. You can find a copy on the Fund website (look in 'Downloadable documents') or request a printed version from the Fund Secretary, at the address on page 8.

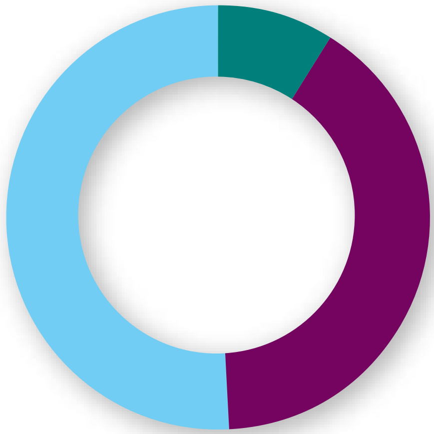
The combination of additional contributions from Unilever, along with positive investment returns (see the table on the next page), meant that the Fund value increased again over the year.

The accounts in brief

	£m
Fund value at 1 April 2012	**5,841.2**
Income	
Contributions paid in by Unilever and Fund members	168.0
Transfers in from other schemes	0.6
Income from investments	131.4
Outgoings	
Benefits payable to members (pensions and lump sums)	(298.1)
Payments to leavers	(10.8)
Fees and expenses (advisers, administration, fund managers)	(21.7)
Change in market value of Fund investments	747.8
Fund value at 31 March 2013	**6,558.4**

Membership profile

At 31 March 2013, there were 84,573 members in the Fund. As you will recall, all the Fund's active members are now building up benefits in the Career average plan, giving the three groups of member below.



7,652	Active members (currently building up plan benefits)
34,026	Deferred members (no longer contributing but with benefits left in the plan to draw at a later date)
42,895	Pensioners and dependants of members who have died (receiving plan benefits)
84,573	**Total**

Investment overview

Defined benefit funds (Career average and Final salary plans)

Asset spread
The chart below shows how the Fund's investments are spread across the different types of fund at 31 March 2013.

47.9%	Equities
26.9%	Bonds
8.3%	Property
7.3%	Private equity
6.5%	Hedge funds
1%	Derivative contracts
2.1%	Cash
100%	**Total**

Performance
Overall, the investment return for the Fund over the year to 31 March 2013 was 15.7%.

We measure the performance of the investment funds in two ways:

- **Against benchmarks** – which are 'target' returns to help us gauge how the returns on the individual funds compare to the market average. These in turn allow us to assess the fund managers' performance.

Asset class	Fund return	Benchmark return	The difference
Shares	19.8%	17.2%	2.6%
Bonds	11.9%	10.6%	1.3%
Hedge funds	10.9%	8.9%	2.0%
Property	4.4%	4.8%	-0.4%

- **Against liabilities** – because our investment strategy is 'liability-driven' (that is, we aim for investment returns that will allow the value of the Fund to rise and fall in line with its expected outgoings) we track how the overall Fund return measures against the change in liabilities.

	Asset return	Total change in liabilities	The difference
Year ended 31 March 2013	15.7%	7.4%	8.3%
Since introducing this approach (1 July 2008)	8.2% a year	7.2% a year	1.0% a year

Investing plan funds

Member fund choices

These charts show how members with Investing plan accounts have decided to invest them, at 31 March 2013. On the left we have split the overall amount of money invested in the plan across the funds. On the right you can see how this translates to the number of members choosing each fund. As we are responsible for deciding which funds to include in the Investing plan range, it helps us to see which options are popular and which may have less appeal.

31 March 2013 (£000)	Fund name	Number of members
24,170	Moderate Growth Fund	6,034
2,324	Cash Fund	816
1,553	Aggressive Growth Fund	133
384	Income/Bond Fund	46
229	Cautious Growth Fund	32
218	Global Equity Fund	42
176	Emerging Markets Fund	55

Performance table

Here are the returns for the funds on the Investing plan range for the year to 31 March 2013. (Please note, though, that the returns for the Global Equity and Emerging Markets Funds are for six months only, as they were added to the range in July 2012.)

	Fund return
Cautious Growth Fund	11.9%
Moderate Growth Fund	14.0%
Aggressive Growth Fund	15.6%
Global Equity Fund	13.5%
Emerging Markets Fund	10.3%
Income/Bond Fund	10.6%
Cash Fund	0.3%

Useful information

In our 'Finding out more' section on page 8, we feature the Fund website, where you can find information and documents you may need to do with the Unilever plans. While you are online, you may want to visit some of the websites we tell you about on this page, which all offer help and guidance about general pensions and financial matters.

GOV.UK –
information about State benefits

www.gov.uk

GOV.UK is the Government website which draws together all the information available about public services and State benefits into one place.

When you first visit GOV.UK, you'll see that one of the links goes to the 'Working, jobs and pensions' section. Here you will find a section explaining State pensions, along with a wealth of information to help support your financial planning. The Tracing Service – which may be able to help you find a scheme you have lost touch with since leaving it – is also in this section.

The Money Advice Service –
impartial help with your financial planning

www.moneyadviceservice.org.uk

This website aims to give you impartial facts and guidelines on all aspects of your financial planning. (Please note that the information on the site is general – it does not give 'advice' about your personal finances – for that, please see 'Unbiased'.)

The link to 'Pensions & retirement' on the homepage takes you to a series of guidance documents, alongside some calculators and tables to help you with your retirement planning.

'Unbiased' –
how and where to get financial advice

www.unbiased.co.uk

Please remember that no-one involved in running the plans can give you individual financial advice. Please consider taking advice if you need help with any financial decision.

This website is the home of IFA Promotion, the organisation that helps put people in touch with an independent financial adviser. It has a 'find-an-adviser' service which will locate qualified advisers within the user's area.

Please note that the website acts as a portal for finding a much wider range of professional and financial advisers (including mortgage, legal and accountancy experts). So, if you are looking for independent financial advice, just make sure you click on the 'Find an IFA' box when you first arrive at the site – this will take you straight to the search facility.

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