December 2008

Unilever UK Pension Fund

Fund Focus

Your Unilever pension newsletter

Introducing Liz Airey

I am very pleased to introduce myself to members as the first independent Chair of the Trustees of the Fund. I was appointed to the board on 1 June this year.

The Trustees and Unilever decided to jointly appoint an independent Chair following a review of the governance of the Fund last year, and I am very proud to have been selected and entrusted with the role.

My own professional background is in both finance and industry: I spent the first ten years of my career in the City advising companies on issues such as raising capital, and the next ten years as the Group Finance Director of an international oil and gas exploration company. For the last eight years, I have been a non-executive director fulfilling a governance role with a number of companies listed on the London Stock Exchange. These include Tate & Lyle and Amec, both of which have substantial pension funds. I also became chair of two of these companies: Zetex and JP Morgan European Fledgeling.

Through my various roles – and in particular during my six years as chair of the main Amec pension funds - I developed a keen interest in the importance of occupational pension funds and a strong belief in the importance of trustees having the highest standards of governance. I am very pleased to have joined a board of dedicated and competent Trustees, with existing high standards of governance.

I join the Fund during interesting times in the world's economy. Stocks have fallen in value over the last year, and this has had an impact on the value of the assets held by the Fund. As you would expect, the Trustees monitor the Fund's investments and how changes in value impact on the funding level. In turn, the Trustees, at regular intervals, agree with Unilever changes in the rates of contributions payable by the Company to allow for how the Fund is developing financially. So, despite recent developments in the financial markets, the combination of the assets held by the Fund, and Unilever's commitment to the Fund means that you should be reassured of the strength of the Fund.

I am looking forward to contributing to the continuing development of the Trustee board and making sure we meet the challenges of the years ahead.

Unilever

Keeping up the good work

As Trustees, we are aware that many of you may not know what our role overseeing the Fund involves. With this in mind, we are moving 'upfront' for this year's newsletter and giving you a bit more detail about our work.

The job can be difficult – and it certainly takes up quite a lot of time. For that reason, the board is made up of dedicated and enthusiastic individuals who genuinely want the best for the Fund members – and this makes working as a Trustee stimulating and rewarding.

We have certain key 'objectives', or aims – which you can see below. As a group, we all share all of these aims, and take many decisions at 'board level' – that is, involving all the Trustees. But to spread the workload, we sometimes work as three committees (assisted by other Unilever staff), each focusing on a particular area of running the Fund.

- ✓ Make sure the Fund is run in line with its own rules and pensions law
- ✓ Act in the best interests of all the Fund members in line with the Fund rules and pensions law
- ✓ Invest the Fund's assets
- ✓ Oversee funding so that there are 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

Governance and Funding

The role of the Governance and Finance Committee involves making sure the Fund keeps in line with the Fund rules, as well as pensions law.

It makes recommendations to the full board for the amount of contributions to be paid into the Fund by Unilever and then regularly reviews the funding level.

The Committee also now makes recommendations to the board regarding the level of risk inherent in the Fund's investment strategy taking account, amongst other things, of the financial strength of Unilever (which it also monitors on a regular basis).

Richard Clark | James Barnes | Liz Airey | Roger Bevan | Mike Samuel

Mike has now moved to the Investment Committee but continues to sit on the Governance and Funding Committee until early 2009.

Steve Cutting | Jimmy McGovern | David Jones

Steve has now moved to the Operations and Benefits Committee

Investment

The Investment Committee recommends an investment strategy to the main board.

Once the strategy is agreed, the Investment Committee puts an investment structure in place. Among other things it chooses the investment fund managers, and monitors their performance against the targets set for them.

Note: in addition to the three members of the Investment Committee shown on the left, there are three non-Trustee members who are all employees of Unilever – Wendy Mayall, Peter Zegger and Nigel Biggs.

Operations and Benefits

The Operations and Benefits Committee monitors all aspects of the Fund administration, including the Pensions Team and Hewitt (who carry out the benefits administration of the Fund).

This year, the Committee played a particularly important role following the changes to the pension arrangements proposed by Unilever, which were agreed by the Trustees in August 2007. It gave its input on the communications about the new plans, so that members would understand what actions they needed to take. More recently, it focused on the impact the changes would have on administering the plans.

Richie Furlong

Trustee changes

This year, Unilever and the Trustees jointly decided to make changes to the structure of the Trustee board, which should result in strengthening its independence.

Previously, there were 14 Trustees, made up of seven member-nominated Trustee directors, or MNDs (including one pensioner), and seven Trustees appointed by Unilever. We have reduced the board to 13 Trustees, including one independent Trustee (our Chair, Liz Airey), six MNDs (now including two pensioners) and six Trustees appointed by Unilever.

During the year, four MNDs were re-elected to the board: David Saunders, Steve Cutting and Roger Bevan (by the delegates) and Richard Clark (by pensioners). Two new MNDs joined the board: David Jones (elected by pensioners) and George Maddock (elected by delegates).

Chris Appleby joined the board as a Company appointed Trustee. The Company is in the process of appointing a further Trustee to take the board to its full complement of 13.

We would like to thank the outgoing Trustees for their service and commitment to the Fund: David Ivison, David Jones (Colworth), Wendy Mayall, Robert Mickley, Mark Shadrack and Gavin Neath, our former Chair.

Finding out more

If you have a general query about your plan or individual benefits, your personal details change, or you need to update your nomination form (which tells the Trustees who you want to nominate to receive any benefits payable following your death), please contact:

Unilever Peoplelink
Phone: 0800 028 4390
E-mail: peoplelinkuk@accenture.com

Fund information

If you would like more information about the Fund, you can ask for copies of any of the following official documents by writing to the Fund Secretary at:

Unilever UK Pensions, Unilever House, Springfield Drive, Leatherhead, KT22 7GR

or e-mail: pensions.uk@unilever.com

Please note the change of address from Walton. Many of the Unilever teams based at Walton, Kingston and Crawley moved to one new office in Leatherhead in November.

The documents available are:

- the formal Fund annual report and accounts (containing the full details of the Fund's progress and the full, audited accounts);
- the latest report on the actuarial valuation of the Fund (we base the information in the summary funding statement on this report from the actuary);
- 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.

Don't forget to check the Fund website – you can download the latest annual report and accounts and any forms you might need, and find more background information about your plan. The website will be updated over the coming months. Keep an eye on www.uukpf.co.uk.

There are also courses on-line to help with your financial planning, both mid-career and as you approach retirement. Look on the Learning Management System for more details. The courses can be found in the 'General skills' – 'Managing self' – 'Work and wellness' area.

Past ...

Unilever's pension review

During 2007, following a review of its pension arrangements, Unilever consulted with the Trustees and employees over proposed changes to the pension arrangements. Here is a recap of the outcome:

- The Fund now has two main sections, the Final salary plan and the Career average plan, with an additional section available to all members, the Investing plan.
- The Final salary plan is in effect the 'old' Fund, with some key changes – such as a higher contribution rate (with an option to pay more for potentially higher increases to pensions in payment).
- The Career average plan opened for new members (although Final salary plan members could move to it if they wanted to).
- The Investing plan was established as a way for members to 'top up' their benefits, by paying extra into an account they manage themselves. Since it opened, around 300 members have joined, investing over £1 million.

present ...

Joining the Investing plan

You may decide you want to 'top up' your pension for a number of reasons. Perhaps you have special plans for your retirement, or you only have a short period of service remaining and want to boost your benefits. On the other hand, you may simply be in a position where you can afford to pay extra and want to build up your pension savings while you have the spare cash.

In the Investing plan you have an account for your extra contributions and you decide how to invest it.

If you are new to investing, there is a lot to digest. How you invest can depend as much on how you feel – about your personal situation, say, or about managing financial risks – as on how old you are or how much you want to save.

With this in mind, the Investing plan guide not only explains how the plan works, but also gives you background information about the different investment options and how you might decide which ones are suitable for you. The Investing plan is designed to try to make investing your account straightforward. There are five funds to choose from, covering a range of likely investing aims and attitudes to risk.

The provider of the Investing plan is Fidelity. You are able to keep track of your investments on-line, when it suits you, using Fidelity's Plan Viewer (see page 14 of your Investing plan guide for more details).

On the horizon

From 6 April 2010, the earliest age anyone can legally retire and begin to draw pension will go up from 50 to 55. This is an 'overnight' change, and there is no sliding scale to increase this minimum age gradually (unlike the changes to State pension ages – see right).

For some of you, the change will be straightforward:

- If you were born before 6 April 1955, you can already retire at any time. You have already reached age 50, and you will be 55 by 6 April 2010.
- If you were born after 5 April 1960, you can retire from age 55 – you do not reach 50 before the change on 6 April 2010.

However, if your date of birth falls between 6 April 1955 and 5 April 1960, the situation is not that simple:

- Currently, you can retire from age 50.
- At 6 April 2010, you will be unable to retire, because you will still be under 55.
- When you reach your 55th birthday, you will be able to retire.

Please bear these age changes in mind if you are thinking about retiring before age 55. Refer to your plan guide for more information on early retirement.

Please note: To retire early from the UUKPF you need the consent of the Trustees (for members of the Final Salary plan) or the Trustees and Unilever (for members of the Career average plan).

These changes do not affect retirement on serious ill health or permanent incapacity grounds.

and future

Time for a change?

In October 2009, you will have an opportunity to make changes to the way you are building up benefits. This is called the pension 'renewal', and will take place every October after that.

Please take the time to think about your financial planning before then. You will receive a benefit statement in the summer of 2009, which will give you an estimate of the pension you can expect when you retire, and any benefits payable to your dependants if anything happens to you. Try to decide if these amounts are in line with the level of benefit you want – and if not, whether you want to add to them.

If you are in the Final salary plan, you may be able to change your contribution rate towards potentially higher pension increases (see page 3 of your plan guide).

If you are in the Career average plan, you may decide to up your level of life cover or change the way you receive any Unilever contribution above the higher salary level (see pages 3 and 4 of your plan guide).

No matter which plan you belong to, you have the option of making extra contributions to the Investing plan. Please bear in mind that there are two types of extra contribution with different rules for how and when they are paid – please see page 2 of the Investing plan guide for details.

Your State benefits

State pension age

In its latest Pensions Act, passed in 2007, the Government included an increase to the age you will start to receive your State pension (reflecting the fact that life expectancies have gone up faster than anyone anticipated).

This is in fact the second time changes affecting State pension ages have been made in recent years – the 1995 Pensions Act ruled that the State pension age for women would increase to match that for men.

While both laws have been passed, the changes have not actually happened yet. State pension age for women starts to go up on a sliding scale from 60 to 65 between 6 April 2010 and 5 April 2020. Then, in line with the 2007 Act, State pension age for men and women will increase, again on a sliding scale, from 65 to 68. The way the scales work is complex, so the easiest way for you to check your State pension age is to look down the left hand column of our table for when your birthday falls – your State pension age is in the right-hand column.

The Government have also reduced the number of qualifying years for a full basic State pension – that is, the number of years you need to pay full National Insurance – to 30 years, for people retiring on or after 6 April 2010.

Your date of birth	State pension age	
	Men	Women
5 April 1950 or earlier	65	60
6 April 1950 to 5 March 1951	65	Between 60 and 61
6 March 1951 to 5 April 1951	65	61
6 April 1951 to 5 March 1952	65	Between 61 and 62
6 March 1952 to 5 April 1952	65	62
6 April 1952 to 5 March 1953	65	Between 62 and 63
6 March 1953 to 5 April 1953	65	63
6 April 1953 to 5 March 1954	65	Between 63 and 64
6 March 1954 to 5 April 1954	65	64
6 April 1954 to 5 March 1955	65	Between 64 and 65
6 March 1955 to 5 April 1959	65	
6 April 1959 to 5 April 1960	Between 65 and 66	
6 April 1960 to 5 April 1968	66	
6 April 1968 to 5 April 1969	Between 66 and 67	
6 April 1969 to 5 April 1977	67	
6 April 1977 to 5 April 1978	Between 67 and 68	
From 6 April 1978	68	

Forecasts now available

You can now get a forecast of your State pension on-line (the Department for Work and Pensions withdrew this service until recently to update their systems) or by calling the Pension Service helpline – you can find the details on the back page.

Unilever State Benefits Helpline **01494 729796**

If you are unsure if you or your family qualify for any extra benefits from the State, call our confidential helpline for advice. Thousands of Unilever UK Pension Fund members and their families have already used the helpline and received millions of pounds in extra benefits from the Government.

To help you read your statement

Your summary funding statement explains the funding that underpins your Unilever UK Pension Fund ('the Fund') benefits. As Trustees, we are required by law to send you a summary funding statement each year, either to report the results of the formal valuation (which takes place every three years), or to report the results of the annual funding update (which takes place in years when a formal valuation is not carried out). This summary funding statement reports the results of the funding update at 31 March 2008.

Funding target

The Fund is set up as a common pool of money into which current employee members and Unilever pay contributions and which we invest to help it grow. Benefits are paid out of this pool of money.

We work with Unilever to agree a 'funding target' which we aim to meet. The target, known as the 'technical provisions', is tailored to our Fund's circumstances and needs. It is based on assumptions about future events, the investment strategy adopted by the Trustees and the expected financial strength of Unilever. These assumptions include: that the Fund will continue in the future and that Unilever plc and the other employers will continue in business and support the Fund.

The assumptions satisfy the regulations in the Pensions Act 2004. Our actuary helps us look at how the outcome can change if any of the assumptions turn out to be too low, or too high. We then use our judgement to consider how confident or cautious we want to be when deciding on a safety margin to build into our funding target.

When carrying out valuations and funding updates, the actuary works out the amount of assets the Fund needs to cover its funding target. Then he takes the value of the Fund's assets from the accounts and compares the assets with the funding target. This gives the funding level. The table opposite shows the funding level according to this 'ongoing' valuation.

Providing for future benefits and a plan for recovery

The actuary estimates the level of contributions the Fund should receive to cover the cost of the benefits which are building up for the future and deal with any deficit.

Generally, the Fund relies on Unilever and its financial support to:

- pay regular contributions to cover its share of the cost of the benefits members are building up for the future;
- make extra contributions when there is a funding deficit;
- put in more money if the funding target turns out to be too low; and
- pay the future expenses of running the Fund each year.

Following the results of the 2007 valuation, we agreed with Unilever the level of contributions needed to maintain and improve the funding level. Other arrangements may apply in the event of a surplus.

The solvency position

The Pensions Act 2004 says we must also tell you what the funding position would be if the Fund wound up (came to an end) at the valuation date. (We have also included the position shown in the update at 31 March 2008.) This is known as the 'full solvency' position. It looks at whether the Fund has enough money in it to buy insurance policies to provide all the benefits promised to members.

Even if a pension scheme is fully funded under the ongoing valuation, the full solvency position is likely to be less than 100%. Reasons for this include:

- insurance companies have to invest in 'low risk' assets, which generally tend to give lower returns than the level of returns the Fund is targeting; and
- insurance companies' policy prices will include administration charges and a profit margin.

Your summary funding statement

At 31 March 2008 the Fund had a deficit of £830 million, which corresponds to a funding level of 86% (below left).

In the last statement (sent to you in February 2008), we gave you information based on the actuary's latest valuation at 31 March 2007. That showed that the Fund had a deficit of £360 million (below right).

At 31 March 2008		At 31 March 2007	
Value of assets	£5,040 million	Value of assets	£5,060 million
Estimated amount needed to cover funding target (technical provisions)	£5,870 million	Amount needed to cover funding target (technical provisions)	£5,420 million
Deficit	£830 million	Deficit	£360 million
Funding level (after allowing for the audited asset value)	86%	Funding level	93%

Future benefits and a plan for recovery

For active Final salary plan members, Unilever currently pays regular contributions equal to 24.1% of pensionable pay, less members' normal level of contributions. Unilever's contributions for Career average plan members are currently 20.5% of pensionable earnings (between the two levels), less members' contributions. These are the main contribution rates, full details are in the schedule of contributions.

Unilever paid additional contributions of around £400 million into the Fund between the 2005 and 2007 valuations. Following the 2007 valuation, Unilever paid a total of £230 million in additional contributions between 1 April and 31 December 2007. At the 2007 valuation date, the agreed recovery plan aimed for a funding level of 100% by 31 March 2010. This plan allowed for a less cautious investment return assumption on the assets than that used on the technical provisions.

There have been no changes to Unilever's contributions this year. We have agreed with Unilever to review the situation at 31 March 2009, and that Unilever will vary its contributions depending on the financial position of the Fund.

The Fund's solvency position

If the Fund had started winding up at 31 March 2008, our actuary estimates that the amount the Fund would have needed to ensure that benefits were secured in full was £7,600 million. On this basis the Fund's deficit was £2,560 million, equal to a funding level of 66%. (At 31 March 2007, the date of the latest valuation, the funding level on this basis was 73%.)

Pensions law says we must give you this information, and we need to work out this figure to get a complete picture of the Fund's financial health. But it does not mean that Unilever is thinking of closing the Fund.

Changes since the previous statement

While the value of the assets of the Fund decreased slightly from 31 March 2007 to 31 March 2008, the amount needed to cover the funding target increased significantly during the same period. This is largely due to changes in market conditions – in particular, assumptions about the future rate of inflation and pension increases. These changes have affected the funding target at 31 March 2008 (as you can see in the table above).

Other things we must tell you

As part of this statement, we must tell you if there have been any payments to Unilever out of the Fund since the last summary funding statement. There have not.

The Pensions Regulator can change the Fund benefits, give directions about working out its technical provisions or impose a schedule of contributions. We are pleased to say that it has not needed to use its powers in this way for our Fund.

Other pension arrangements

This statement explains the funding that supports your pension in the Unilever UK Pension Fund. If you have any benefits in other Unilever schemes or the schemes of former employers, you may receive summary funding statements from them. (As a general rule, you will only receive funding statements if your other schemes are 'defined benefit', which normally means that benefits are based on a formula including your salary and years of service.)

Help at hand

If you have questions about your plan, or your benefits in particular, you should get in touch using the contact details under ‘Finding out more’ on page 3. However, no-one involved in running the plan – which includes Unilever, the Trustees and the Pensions Team – is allowed to give you advice about your financial planning or decisions.

If you are uncertain about anything to do with your savings or pension, think about taking independent financial advice. IFA Promotion can help you find an adviser in your area – you can carry out a search on their website, **www.unbiased.co.uk**.

You can also take questions or problems to The Pensions Advisory Service (TPAS), which runs a query helpline **0845 6012923** and mailbox **enquiries@pensionsadvisoryservice.org.uk**.

The Pensions Regulator oversees the running of UK pension schemes. It has more information about valuations and funding statements on its website, **www.thepensionsregulator.gov.uk**, or call **0870 606 3636**.

The Government set up the Pension Protection Fund to compensate members of occupational schemes if their employer becomes insolvent and cannot cover the cost of providing the scheme benefits. You can find more information on its website, **www.ppf.gov.uk**, or call **0845 600 2541**.

If you need information about the benefits you might expect to receive from the State, try The Pension Service website, **www.thepensionservice.gov.uk**, which also includes background information about financial planning. If you are not yet receiving your State pension, you can also get a forecast of the amount you are due to receive. The helpline number is **0845 606 0265**.

Unilever UK Insurance Scheme

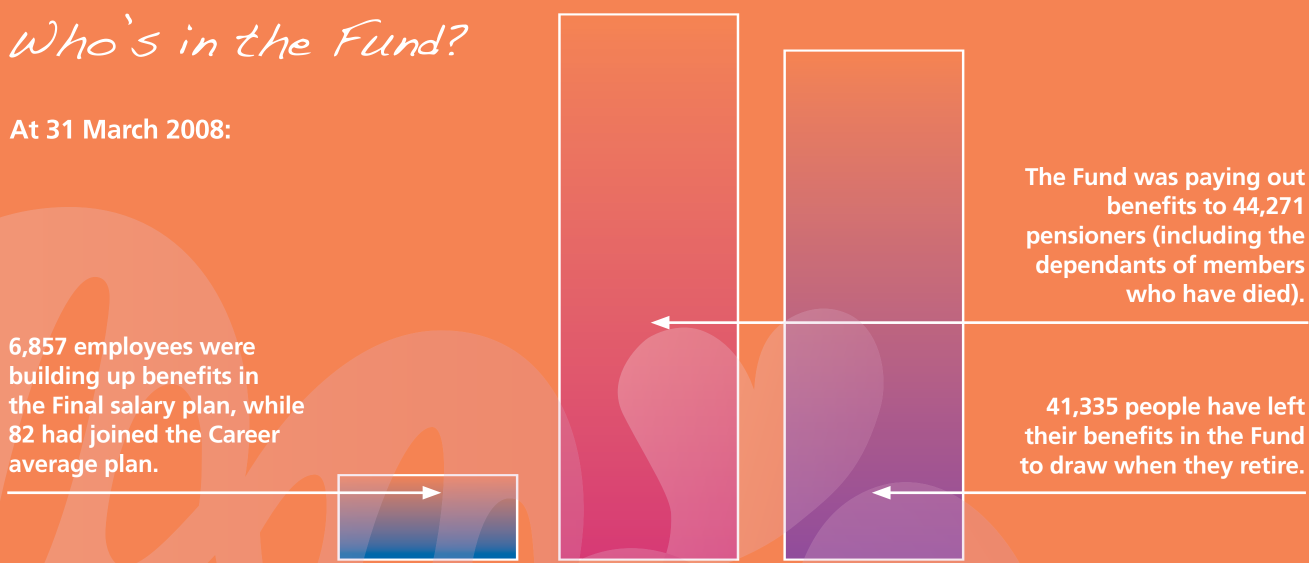
Unilever gives you access to a wide range of personal insurance products. The Scheme is open to retirees, current and former employees and now also extends to include any family members.

For further information, or to request a quotation on home, travel, motor or healthcare insurance, please refer to the leaflet we have enclosed, or visit the new website, **www.unilever-insurance.co.uk**

As with all financial products, it is important to shop around to find the right product to suit your needs.

Who’s in the Fund?

At 31 March 2008:



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