

Your fund

The Unilever UK Pension Fund



Page 2

6 April is 'A-day'

New pension saving opportunities for you

Page 3

New pooled investment fund

Uninvest-ing on a global scale

Page 4 – 5

Actuarial review

Unilever strengthens the UUKPF

Page 6

Fifth Report and Statement of Accounts

Financial position of the Fund

Page 7

Quality matters

Improving our service to you

New pension saving opportunities for you

In December 2005 we sent a 'legislation special' issue of **Your fund** to UUKPF members. This provided details of how the tax system for UK pensions will change from A-day (6 April 2006). In general, the new tax regime creates greater flexibilities for pension saving, which is good news...

The good news

Higher levels of Additional Voluntary Contributions (AVCs)

From A-day, HMRC (the new name for the Inland Revenue) is increasing the limits on the level of personal pension contributions you can make (currently 15% of your annual earnings). For most people this new limit will exceed the amount of personal contributions that they can afford to pay.

These higher limits mean that you can increase your AVC payments. If you would like to start paying AVCs or increase the amount of AVCs that you currently pay, please contact the Peoplelink Service Desk for further information and an AVC information pack.

Please note: the existing maximum contribution to purchase *Unilever Added Years* AVCs will remain unchanged at 15% of annual earnings.

Ability to pay into other pension arrangements

Irrespective of your level of earnings, after A-day you will be able to pay into as many different pension schemes as you like. If you would like to make contributions outside of the Unilever UK Pension Fund (UUKPF), you should contact your Independent Financial Advisor or additional pension provider.

Tax-free cash at retirement

If you retire after A-day, depending on your age, you may be able to take more of your UUKPF benefits in the form of a tax-free cash lump sum. Remember that the larger the lump sum you take, the lower the amount of pension you will receive from the UUKPF. The Unilever UK Pensions (UUKP) team will provide full details on the options available to you in the run-up to your retirement date.

If you would like to see a copy of the **Your fund** 'legislation special', please go to www.uukpf.co.uk.

A tax-free cash lump sum using your AVCs

After A-day, up to the new limits, you will also be able to use your AVCs to fund a tax-free cash lump sum, irrespective of when you started paying AVCs. This is likely to mean that paying AVCs will become a relatively more attractive option.

Again, if you would like to start paying AVCs or are considering increasing your existing level of AVCs, please contact the Peoplelink Service Desk.

The not so very 'good' news

Increase in minimum age to draw your pension

As widely anticipated, from April 2010, the minimum age at which you can start to take your pension will normally be 55. If you have been planning to retire before age 55, you will need to reconsider your options.

New limit on tax-efficient pension saving

After A-day, if the value of your total tax-approved pensions exceeds a new 'Lifetime Allowance' limit (at the outset this will apply to total pensions that exceed £75,000 per annum), you will be subject to a new additional tax.

This will only have an impact on a small number of UUKPF members. If you think this might affect you, and in particular if the combined value of your pensions from tax-approved arrangements already exceeds £75,000 per annum, please contact the UUKP Special Cases team at specialcasesteam@unilever.com. There are steps that can be taken to limit this additional tax.

Please note: neither Unilever UK Pensions nor the UUKPF Trustee can provide you with financial advice. None of the above should be construed as attempting to do so. At the time of printing there are certain aspects of the new tax regime that remain outstanding. The information contained in this article is based on Unilever and the UUKPF Trustee's current understanding of the new tax regime. If that understanding should change, Unilever reserves the right to alter its arrangements before A-day. This document does not confer any right to benefit.

Uninvest-ing on a global scale

'Uninvest' was established by Unilever in December 2005. It is a way of investing pension scheme assets, taking advantage of Unilever's position as a large multi-national employer to benefit from economies of scale.

Uninvest is a pooled investment fund: participating Unilever pension funds combine some (or all) of their pension assets and investment expertise.

How does Uninvest operate?

Established in Luxembourg, Uninvest is set up as an umbrella vehicle, a 'Fonds Commun de Placement' (FCP). It will be managed by Northern Trust Luxembourg Management Company S.A.

Uninvest has six sub-funds. Each sub-fund covers different stockmarkets in different geographic regions and each has separately appointed investment managers. Different Unilever pension funds may choose to invest in one or more of these sub-funds. Each Unilever pension fund's investment is then represented by holding units in each of the sub-funds it chooses, rather like investments in a unit trust.

The operation of Uninvest is overseen by its Investment Committee which comprises representatives from the largest Unilever pension funds (including two UUKPF Trustees) and Unilever's Corporate Pensions team.

What are the advantages of Uninvest?

Uninvest helps Unilever take advantage of its position as a large multi-national employer. It benefits Unilever on a global scale by bringing:

- overall improvement in the consistency and quality of investment for Unilever's pension schemes around the world
- economies of scale which should result in lower overall costs
- greater opportunities for diversification and risk management.

How is the UUKPF involved?

The Unilever UK Pension Fund (UUKPF) is investing in Uninvest. Out of a total asset size of £4.5 billion at 31 December 2005, the UUKPF will initially invest approximately £850 million across the range of Uninvest sub-funds. The Dutch pension scheme has contributed a similar amount, and over the coming year or so, as more pension funds invest, it is expected that in total Uninvest should hold assets which are valued at €3 – 5 billion.

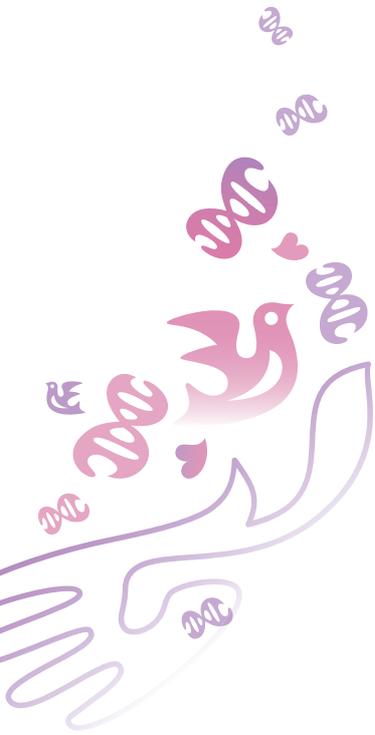
The UUKPF's assets in Uninvest remain the sole responsibility of the UUKPF Trustee. The assets of the UUKPF cannot be used to pay the benefits of non-UK pension schemes. UUKPF assets will not be used to meet the pension obligations of any other Unilever pension scheme – they can only be used to pay benefits under the UUKPF.

Uninvest is a great example of Unilever taking advantage of its size, both physically and geographically. Philip Lambert, Head of Unilever Corporate Pensions and Chairman of the Uninvest Investment Committee said:

"This initiative fits very well with the One Unilever programme that the Company has been pursuing to make us as simple and efficient a business as possible. We expect Uninvest to generate significant benefit for Unilever and its pension funds."



Unilever strengthens the UUKPF



The latest actuarial valuation of the UUKPF has just been completed. As a result, Unilever has agreed to make substantial additional annual contributions as part of its plan to work towards removing the Fund deficit altogether. Here we explain the results of the valuation and the impact this will have on the Fund.

The financial environment for pension funds has become increasingly tough over recent years and the subject of pensions has featured heavily in the news. There has been much talk of pension 'deficits' and the impact that stockmarkets and long-term interest rates have on them.

Current pensions landscape

How have these pension deficits been created?

The main reasons for pension deficits relate to investment pressures and demographic trends.

Long-term interest rates have fallen, reducing future expected investment returns, and the capital value of investments has not risen sufficiently to compensate for falling future returns.

On top of these investment pressures, recent evidence shows that improvements in life expectancy have been more rapid than actuaries had anticipated and this is also putting pressure on pension funds.

What is the Government doing?

The Government has introduced the Pension Protection Fund (PPF) and a Pensions Regulator to improve the funding and security of member benefits. There is also a new regime for the funding of pension schemes, requiring trustees and companies to agree on the contributions to be made. You can find more details on these Government changes in your December 2005 'legislation special' issue of **Your fund**.

How is the strength and financial position of a pension fund calculated?

A pension fund is a long-term investment. Benefits that have been earned may have to be paid out over periods of fifty years or more. With benefit payments spread out over such extended timeframes, it can be difficult to calculate the current financial position of a pension fund. This is why an actuary is engaged: they will carry out a regular valuation to check on the level of the assets relative to the benefits that have already been earned. They then recommend the level of contributions needed so that the future benefits can be met as and when they fall due.

Where there is a deficit, this approach relies on the employer being able to continue to make those contributions. So long as there is a strong employer behind the fund, able to make contributions to correct the deficit, the situation is under control. Therefore, the security of pensions comes not only from the current assets within the pension fund, but also from the strength of the employer standing behind the pension fund and the employer's commitment and ability to make extra contributions as and when required.

Results of 2005 valuation

What is the current financial position of the UUKPF?

The last formal valuation in 2002 showed a small surplus. Due to subsequent poor investment experience, there was an interim review in September 2003 which showed that the UUKPF had a deficit of approximately £400 million. As a result, the Company started making additional contributions of £62 million per annum from January 2004.

For the 2005 valuation, for which a full review was undertaken and has just been completed, the actuary revised the appropriate methods and assumptions to use. These were discussed and agreed in advance with the Trustees. On the basis of the new assumptions, the result of this valuation has shown that the deficit of the Fund has grown. At the valuation date – 31 March 2005 – the total assets of the Fund were £3.8 billion and the deficit just under £1 billion.

The main reasons for the increase in the deficit:

- The actuary modified the assumptions to reflect lower long-term interest rates and longer life expectancy, *and*
- The return on the investments over the period has been below expectations.

Impact on cost of benefit provision

What impact does this have on the cost of providing future benefits?

As a result of the changes in assumptions, the costs of the pension benefits that employee members are earning now and will receive in the future have increased (even though the benefits themselves have not changed). Consequently, from January 2006, the Company's normal contributions have increased to 22.2% of total Pensionable Pay (from 18.4% at the last formal valuation), less member contributions.

What is Unilever doing about the UUKPF's deficit?

Following discussions between the Company and the Trustees over how to respond to this increased deficit, the Company has agreed with the Trustees to pay additional contributions. On the basis of the actuary's assumptions, these additional contributions would eliminate the deficit over an eight-year period from March 2005.

The additional contributions are also weighted towards the earlier years, and for each of the first three years of the eight-year period, the Company is scheduled to make additional contributions of £170 million per annum. These additional contributions are over and above the normal Company contributions. The first payment of £170 million was made in 2005.

In summary...

By making these additional contributions, the Company is actively addressing the deficit. The Company remains fully committed to the UUKPF and to providing the pensions that you have earned.



Financial position of the Fund

So let's look at the financial position of the UUKPF in more detail. The Fifth Report and Statement of Accounts (for the year ended 31 March 2005) is now available on request. John Wilcock, Financial Controller of the Fund, outlines some of the highlights below.

Financial facts

During the year ended 31 March 2005:

- Recovery continued in the value of the Fund's assets
- Expenditure, mainly benefits in the form of pensions and lump sums, exceeded the Fund's income by £36 million
- Company and member contributions continued to be payable at the full rate
- Contribution income continued to include special Company contributions payable at the rate of £62 million per annum.

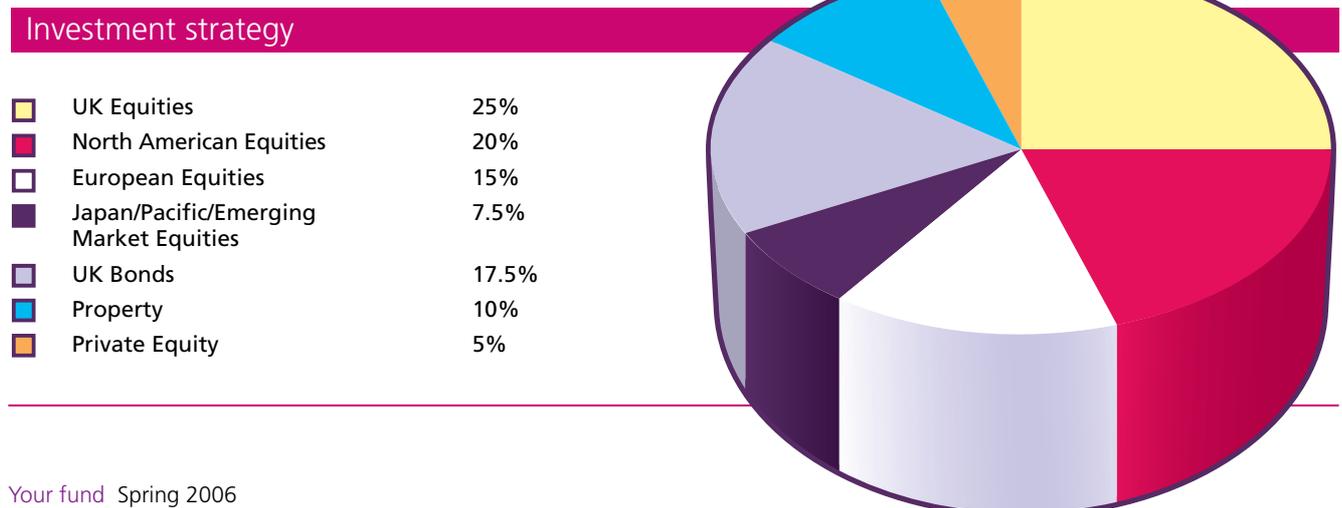
Recent investment return

For 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 ten years ending March 2005, 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%).

Current investment strategy

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 investment strategy is currently undergoing its regular review. The diagram below illustrates how the strategy stands at present:



The Fund's investments are managed by:

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

Current financial position

Further strong growth has seen the Fund value grow to more than £4.5 billion. Part of this is made up of equity investments, of which £850 million was invested into the 'Univest' pooled investment vehicle in December 2005 (please see page 3).

If you would like a copy of the UUKPF Fifth Report and Statement of Accounts (for the year ended 31 March 2005), please go to www.uukpf.co.uk.

Improving our service to you

In consultation with our members, we are always working to develop and improve the pension administration services we provide. Below we provide you with an update on some of these services.

Ongoing service reviews

Every three months we pick out and review a random sample of pension administration transactions completed by:

- Unilever UK Pensions
- Unilever UK Peoplelink
- Hewitt
- Business Unit HR

We discuss the results with the Trustees and decide whether any changes are necessary in the way we work together to provide you with the best service possible.

New 'Retirement Case Advisors'

The creation of Retirement Case Advisors is a direct result of the service review process explained above. We first announced the introduction of Retirement Case Advisors in the summer 2005 issue of **Your fund**. Based in Peoplelink, the role aims to improve the process for you when you retire from Unilever.

For many UUKPF members, retirement may be more than a few years away. However, if you are retiring soon, you can expect that your Case Advisor will:

- take ownership of your case
- contact you about 6 months in advance of your retirement and keep you up-to-date with developments
- make you feel confident that all aspects of your retirement are being dealt with appropriately and efficiently
- encourage you to attend a pre-retirement seminar
- arrange a session with a pensions expert who can explain your benefit options in more detail and answer any questions you may have.

Pension benefit counselling service

We are close to completing our review into the way in which pension benefit counselling and communication is offered to our members around the UK. We have taken all the feedback on board and in the future UUKP will look to:

- be more visible around the UK sites
- ensure employees have better access to mid-life financial planning and pre-retirement education.

It is important to us that you, our members, are aware of your financial aims and needs, particularly in relation to saving for retirement. Keep a look out at your site for further information.

Developing your delegates

In the summer issue of **Your fund** we looked at the role of delegates – employee members of the UUKPF, elected by you as your site pensions representative.

Since the summer, delegates have had the opportunity to attend training sessions on the latest pension legislation. They have also been working much more closely with your local Business Unit HR departments to ensure that the UUKPF's messages are successfully communicated across all sites.

At the annual pensions conference (15 – 16 March), delegates and representatives from Business Unit HR departments were updated on a number of the subjects discussed in this issue of **Your fund**, such as the recent valuation of the Pension Fund, the investment strategy and upcoming legislation. As delegates in the South & East area had recently held an election, we were also able to elect a new Trustee and substitute Trustee Directors for this area at the conference.

Remember – your pensions delegate is there to help you if you have any questions. They can also pass any ideas or suggestions you may have on to the UUKP team. If you don't know who your delegate is, please ask your local Business Unit HR manager.

We are always looking for ways to improve the service we provide to you. If you have any feedback on the pension service you have received, or if you have any ideas on how we might do things better, please contact the UK Pensions Service Delivery Manager, Kim Northwood: kim.northwood@unilever.com.

Your pension contacts

Farewell John – welcome Michael

After nearly 31 years at Unilever, John Wilcock, Financial Controller of the Fund, will be retiring at the end of April. John's career has taken him to various countries in Africa and Asia, and we wish him every success in retirement where he will be able to re-visit these countries (and many more!) in a more leisurely capacity.

In his place, we are very pleased to welcome Michael Normington to the UUKPF as the new Financial Controller. Michael has a comprehensive understanding of pension fund accounting, having been in the industry for the last 20 years. He is looking forward to working with Unilever and to joining the Unilever UK Pensions team.

www.uukpf.co.uk

The Unilever UK Pension Fund website has been revitalised with a brand new look. In line with our name change, the web address has changed to www.uukpf.co.uk.

In addition to useful new pension information, you can access copies of UUKPF publications, find tools to help you plan for your retirement, view frequently asked questions and much more!

Log on to www.uukpf.co.uk and fill in an online feedback form to let us know what you think of the new site.

Useful pension websites

<i>UUKPF website:</i>	www.uukpf.co.uk
<i>The Pension Service:</i>	www.thepensionservice.gov.uk
<i>The Pensions Regulator:</i>	www.thepensionsregulator.gov.uk
<i>HM Revenue & Customs:</i>	www.hmrc.gov.uk
<i>Independent Financial Advisors:</i>	www.unbiased.co.uk

Contact details

If you have a question about the UUKPF, Peoplelink will be able to help or will put you in touch with someone who can:

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