Summary Funding Statement

31 March 2020

Unilever

Unilever UK Pension Fund

Every year the Trustees of the Unilever UK Pension Fund publish a Summary Funding Statement to tell you about the Fund's funding position. The Statement tells you how much money has built up in the Fund – the **assets,** and how that compares with the amount the Fund needs to pay the benefits promised to members – the **liabilities.**

Our last Statement explained the funding position as reported in the 31 March 2019 valuation (which takes place every three years). This Statement reports the results of the annual funding update (which takes place in years when a formal valuation is not carried out) at 31 March 2020.

This Statement shows that on 31 March 2020 the Fund had more liabilities than assets – meaning it was in deficit. This was because the value of assets had dropped suddenly in March 2020 because of the stock market reaction to the coronavirus pandemic. Since then the position has improved and at 30 September 2020 the Fund was in surplus – meaning that at this date, it had more assets than liabilities.

What this document tells you

How we assess the Fund's position

- How we set the funding target
- How we measure the funding level
- What we expect from Unilever

The details of the Fund's position

- The key figures and how they compare to the year before
- Long term funding target
- What's happened since the last statement

Where to go to find out more

How we assess the Fund's position

To understand the Fund's position, we need to know how much money has built up in the Fund – the **assets**. This includes the money Unilever has paid in, the money members have paid in, and the returns this money has generated while it's been invested.

We also need to know how that compares with the amount the Fund needs to pay the benefits promised to members – the **liabilities.**

Then we calculate the assets as a percentage of the liabilities, which shows the funding level. If the assets were the same as the liabilities, the funding level would be 100%.

How we set the funding target

We work with Unilever to agree how we measure the Fund's liabilities known as the "technical provisions". At first, we work towards a funding target of having enough assets to cover 100% of the technical provisions.

To calculate the technical provisions, we look at Unilever's financial strength and what that means for its ability to support the Fund. We also look at our investment strategy and the returns it aims to deliver. And we look at various assumptions, including the latest data on life expectancy to estimate how much money we'll need to pay members the benefits they've built up.

Our actuary looks at what might happen if any of the assumptions we've made turn out to be too low, or too high. Then we decide how confident or cautious we want to be when deciding on the safety margin to build into our funding target.

We have also set an additional long-term funding target using a lower-risk basis to measure our liabilities. You can read more about this target on page 6.

How we measure the funding level

To assess the funding level, our actuary compares the value of the Fund's assets with the liabilities.

What we expect from Unilever

The Fund relies on Unilever to:

- Pay regular contributions to cover its share of the cost of benefits that members build up in future
- Help to cover the expenses of running the Fund each year
- Agree to a recovery plan in the event that our actuary reports a deficit on a technical provisions basis at a valuation. The last valuation at 31 March 2019 showed a surplus instead of a deficit and there was no requirement for a recovery plan.

The details of the Fund's position

The key figures and how they compare to the year before

On 31 March 2020, the Unilever UK Pension Fund had a deficit of **£433 million** - on a technical provisions basis - which equates to a **funding level of 96%**. The funding level had dropped from 31 March 2019 when we reported the results of the valuation.

	31 March 2020
Assets	**£9,407 million**
Liabilities	**£9,840 million**
Assets minus liabilities	**£433 million deficit**
Assets as a percentage of liabilities	**96% funding level**

	31 March 2019
Assets	**£9,775 million**
Liabilities	**£9,441 million**
Assets minus liabilities	**£334 million surplus**
Assets as a percentage of liabilities	**104% funding level**

Why the funding level has dropped since 2019
There was a drop in the funding level because the reaction of stock markets to the coronavirus caused significant falls in asset values in March 2020. Since then the funding level has improved – **at the end of September 2020 it was back to an estimated 104%.**

The funding level if the Fund had closed on 31 March 2020
By law, we also have to estimate what our liabilities would be if the Fund closed, and we paid an insurance company to take on the responsibility of paying each member their pension instead. This is called the solvency position. This doesn't mean that Unilever is thinking of doing this. It just helps to give a fuller position of the Fund's position.

If the Fund had closed on the 31 March 2020, the actuary estimated that we would have had to pay an insurance company £13,187 million to provide all the benefits in full. This would have meant that the Fund had a solvency deficit of £3,780 million equal to a solvency funding level of 71%.

Again, this was a drop from the funding level at 31 March 2019 because of the effect of the coronavirus pandemic on asset values. At 31 March 2019, the Trustees would have had to pay an insurance company £12,813 million - which meant a solvency deficit of £3,038 million and a solvency funding level of 76%.

At the end of September 2020, the solvency funding level was back to an estimated 76%.

Long term funding target

Our initial funding target was to meet 100% of the liabilities as measured on a "technical provisions" basis. We have exceeded or been close to that funding target over the past few years and therefore we've agreed with Unilever to use an additional lower-risk basis to measure our liabilities - called the "low employer dependency" basis - as well as the technical provisions basis.

Our long-term funding target is to reach a funding level on the low employer dependency basis of 105% by 31 December 2029. It's called "low employer dependency" because if we reach the target of 105%, we will be able to follow a lower-risk investment strategy, which means we are less likely to need extra payments from Unilever in the future.

At 31 March 2020, the Fund was 82% funded on this lower-risk basis. It had dropped from 90% at 31 March 2019 because of the reduction in asset values caused by the coronavirus pandemic. Since then it's recovered and at the end of September it was 89% funded.

What's happened since the last statement

We haven't paid Unilever any money from the Fund this year Legally, we have to tell you whether we've paid Unilever any money from the Fund since the last statement we sent you. We can confirm that we haven't.

The Pensions Regulator hasn't needed to get involved in the Fund The Pensions Regulator has a number of powers over schemes like ours. It can tell us to change the way future benefits build up, change the way our funding target is worked out, or change the amount Unilever contributes to the Fund.

Legally, we have to tell you if the Pensions Regulator has used any of these powers in relation to the Fund over the last year. It hasn't.

Where to go to find out more

If you'd like more details about the Fund's finances

Read the Annual Report and Financial Statements at **uukpf.co.uk**

If you'd like more information about how the Fund works

Visit **uukpf.co.uk** to find out more about how the Career average, Investing, and Final salary pension plans work.

You can also find out more about how the Unilever UK Pension Fund is funded, managed, and invested by getting in touch with the Fund Secretary:

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