2019 pension statement notes and assumptions

Your pension statement is only an illustration of your possible benefits from the Fund. It does not create any legal rights for you. Full details of rights to benefits are set out in the Trust Deed and Rules, which are the legal documents governing the running of the Fund. If you wish to see a copy of the Trust Deed and Rules, please contact Nestlé Pensions.

The figures in your statement are based on the most up-to-date information we know about you at the time of printing, shown towards the back of your statement, as well as some assumptions. You should read these notes carefully to understand how your statement has been prepared and its limitations.

Your contributions

In DC Start, you contribute 4% of your pensionable earnings and Nestlé also contributes 5% of your pensionable earnings into your account. If you want to increase your contributions you can move to DC Core.

In DC Core, you can contribute between 5% and 8% of your pensionable earnings and Nestlé contributes 1.5 times your contribution rate up to a maximum of 12%. If you were eligible for transitional payments at 1 August 2017, Nestlé contributes twice your contribution rate up to a maximum of 16% until July 2022. Any contributions you make above 8% are treated as additional voluntary contributions (AVCs).

In DB Core, you contribute 6% of your pensionable earnings up to the pensionable earnings cap.

In DB CorePlus, you contribute 9% of your pensionable earnings up to the pensionable earnings cap.

If your pensionable earnings go over the cap

If you are in DB Core and we estimate that your earnings will go over the pensionable earnings cap before you reach your target retirement age (TRA), we have assumed that you will make contributions of 6% to DC Core on your pensionable earnings above the cap (unless you've already told us that you'd like to pay a different contribution rate). These are called 'Overcap' contributions.

If you are in DB CorePlus and we estimate that your earnings will go over the pensionable earnings cap before you reach your TRA, we have assumed that you will make contributions of 8% to DC Core on your pensionable earnings above the cap.

We have also included Nestlé's contributions to DC Core on your pensionable earnings above the pensionable earnings cap in the calculation of your estimated future account values. Nestlé will pay 1.5 times your DC Core contribution rate on your pensionable earnings above the cap, up to a maximum of 12%. If you are eligible for transitional payments, Nestlé will pay double your contribution rate on your pensionable earnings above the cap up to a maximum of 16% until July 2022, and then 1.5 times your contribution rate up to a maximum of 12% from August 2022 onwards.

Unless you work for Galderma, or have opted out of paying contributions by salary sacrifice, Nestlé pays your contributions on your behalf and your gross contractual pay is reduced accordingly. This is known as salary sacrifice.

Inflation

In the statement, we have made the following assumptions about inflation:

- Future Retail Price Index (RPI) inflation is 3.5% a year.
- Future Consumer Price Index (CPI) inflation is 2.5% a year.

Your DB Core/DB CorePlus pension

In working out your DB Core and/or DB CorePlus pension we have assumed the following:

- Your pensionable earnings will increase in the future at a rate of 2.75% a year to your TRA (that is, in line with CPI inflation plus 0.25% a year).
- The pensionable earnings cap will increase on 1 April each year in line with inflation, as measured by the Consumer Prices Index (CPI), subject to a maximum of 2% each year. This means that for the statement, the pensionable earnings cap is assumed to increase by 2% each April.
- If your TRA is earlier than your normal pension age (NPA), your pension is reduced for early payment (except where special terms apply).

Tax-free cash sum

The maximum tax-free cash sum and reduced pension shown in this section have been calculated using the Fund's current rates for exchanging pension for a cash sum. Because these could be reviewed by the Trustee and/or the law could change in the future, they can't be guaranteed. This means that the maximum tax-free cash sum and reduced pension available to you when you take it, could be different from the amounts shown in your statement.

For the purpose of this estimate, we have assumed that you use any DC account to provide cash first, with any remaining cash taken from the exchange of your pension built up to 31 March 2019 in DB sections. If the combined value of your DC accounts is more than the maximum tax-free cash you are allowed to take under current laws, we've converted the remaining value of your DC accounts into additional pension (which would be provided through an annuity) and included this in the pension figure shown.

Your DC Start / DC Core account

DC account value at 31 March 2019

This is the total value of your DC account at 31 March 2019, including any AVCs or transfers in you may have made.

DC account converted into a pension at 31 March 2019

To show you how much pension you could get from your DC account if you converted it into a pension today, we have assumed you will use the value of your account today (excluding your NRCS AVCs) to purchase a pension (known as an annuity) at your TRA from an external provider. We have also assumed that the annuity will provide a spouse's pension of 50%, have a five-year guarantee and be increased each year from TRA in line with Retail Prices Index (RPI) inflation up to a maximum of 2.5%.

Your estimated DC account value at TRA

The figures in this section are all shown in current money terms. This means that your pension and future account value are projected to your TRA using the assumptions described below and then put into current money terms by stripping out the effects of inflation at 3.5% a year. In the modeller, you can see the effect of changing the inflation assumption.

These benefits assume that you continue to be an active member of the Fund and remain in the section you were in at 31 March 2019, paying the same contribution rate until you reach your TRA.

If you leave or retire before your TRA, your pension will be lower because you will have had less time to build up contributions in your account or to benefit from possible future investment returns. Use the modeller to see the impact of retiring early.

Your estimated pension assumes your pensionable earnings will increase by 2.75% a year each April in future and that inflation will be 3.5% a year until your TRA. The modeller will allow you to see the effect of changing those assumptions.

To calculate your future DC account value, we have considered your actual investment choices as at 31 March 2019 and made assumptions, based on the composition of each fund, about the possible future investment performance of each fund. These assumptions may change from year to year. If you have changed your fund choices since 1 April 2019, we have not taken your new choices into account in the calculations. To calculate the future fund value of your external AVCs (except with-profits funds), we have assumed that the returns will be in line with the returns from the Lifetime Pathway fund. These assumptions may change from year to year.

Assumed investment returns above inflation for each fund:

Fund	% a year
Lifetime Pathway - Growth phase - Consolidation phase - Pre-retirement phase	 2.5% 1.0% -1.5%
Equities	3.0%
Property	1.5%
Blended Assets	1.0%
Corporate Bonds	-1.0%
Pre-retirement to annuity	-1.5%
Pre-retirement to cash	-1.25%
Cash	-2.0%
Ethical Growth	1.5%
Ethical consolidation	-1.25%
Standard Life 'Pension With Profits One Fund'	-2.0%
Equitable Life with-profits fund	3.5%

If you are invested in the Lifetime Pathway fund, the calculations allow for the gradual switching of your investments into the Blended Assets fund and the Pre-retirement to cash fund. You can find more information about the Lifetime Pathway fund under Your choices.

Your NRCS AVC account is assumed to grow by 3.75% above inflation (as measured by RPI) a year. When you retire, your NRCS AVC account will be converted into pension in accordance with the special terms set out in the Fund Rules.

When you retire, your DC pension will not be paid to you directly from the Fund. For the purpose of your statement, we have assumed you will use the value of your defined contribution funds (excluding your NRCS AVCs) to purchase a pension (known as an annuity) from an external provider that will provide a spouse's pension of 50%, have a five-year guarantee and be increased each year from TRA in line with Retail Prices Index (RPI) inflation to a maximum of 2.5%.

Your pension is particularly sensitive to the annuity rate applied at your retirement. This cannot be guaranteed in advance and will depend on several factors, including the terms offered by an insurance company, the type of pension you buy and any special terms that apply due to your personal circumstances (e.g. if you are a smoker or are in ill health with a reduced life expectancy). The pension that you actually receive at retirement will most likely be different to the pension illustrated in this statement.

The annuity rates used to calculate your pension at TRA are reviewed every year and could change from statement to statement.

Your AVCs

This is the value of the defined contribution AVCs you have with our former external AVC providers at 6 April 2019 (for Standard Life and Equitable Life AVCs) or 31 March 2019 (for Clerical Medical AVCs).

Since 1 August 2010, you can no longer make new AVC payments to any of our former external AVC providers. If you want to make AVCs, you can now make them to DC Core instead.

You can change the fund(s) in which your external AVCs are invested either by choosing from the other selected funds offered by the external AVC provider or transferring your account(s) to DC Core and choosing from the DC Core funds. Please contact Nestlé Pensions if you would like more information.

Nestlé Rowntree Closed Scheme (NRCS) AVCs – This is the value of your NRCS AVCs at 31 March 2019. No contributions have been added to your NRCS AVC balance since 1993, but we add interest.

About your statement

While every care has been taken to provide up-to-date and accurate information in your statement, we cannot guarantee that inaccuracies will not occur. Nestle UK Limited and the Trustees will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy, error or omission. If there is any conflict between the information in this statement and the Trust Deed and Rules of the Nestle UK Pension Fund, the Trust Deed and Rules (as amended from time to time) take precedence.

Although every effort is made to ensure information is up to date at the time of writing, subsequent changes to the Fund's documentation and/or applicable legislation may subsequently affect its correctness or completeness.

This document is not intended to provide a definitive description of any benefits payable from the Fund or a comprehensive statement of the law on any issue. Nothing in this document confers any legal entitlement to benefits.

Nothing in this document constitutes financial advice and you should not rely on information in this document in making any decisions about your benefits or Fund membership. We recommend that you consider taking independent financial advice before making any such decisions.

This document contains references to the Trustees. These are the Directors of the Nestlé UK Pension Trust Ltd.

For information about how we use your personal data, view our Personal Data Privacy Policy.