

Nestlé (Ireland) Pension Changes



Decision making September 2011

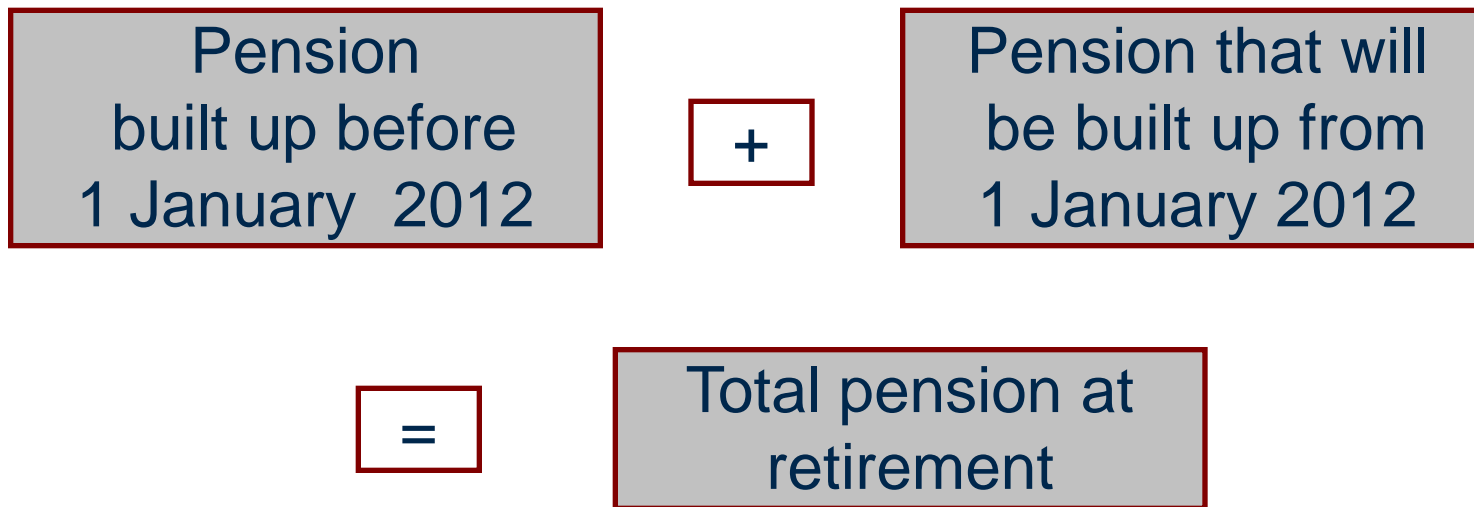
Today



Objective – to help you make a decision about your future pension provision

- Changes from 1 January 2012
- Your decision
- Summary

The changes



Pension that will be built up from 1 January 2012



	Type of arrangement	Member contribution level	Benefit building up
Lane 3	Defined benefit Career Average Revalued Earnings (CARE)	5% of Pensionable Earnings	1/60 of average Pensionable Earnings for each year of service
Lane 2		4% of Pensionable Earnings	1/80 of average Pensionable Earnings for each year of service

From 2013 ...

Lane 1	Defined contribution (DC)	From 3% of Pensionable Earnings	Contributions are invested to provide benefits at retirement. Company will pay 1.5 x the member contribution level up to a maximum of 12%
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Lane 3 & 2 – how to calculate Career Average Pensionable Pay



Member retires in 5 years time and inflation is 2% each year.

	Pensionable Earnings	(1) plus increases	Revalued Pensionable Earnings at retirement
Year 1	€30,000	2% each year for 4 years	€32,473
Year 2	€30,500	2% each year for 3 years	€32,367
Year 3	€31,000	2% each year for 2 years	€32,252
Year 4	€31,500	2% each year for 1 years	€32,130
Year 5	€32,000	No increase	€32,000
		(2) Total	€161,222

(3) Career Average Pensionable Earnings = €161,222
divided by 5 = **€32,244**

Pension built up before 1 January 2012



- Pension earned to 1 January 2012 is protected
- It will be based on Final Pensionable Pay (current definition) and Pensionable Service at 31 December 2011.
- Increased each year until retirement to keep up with CPI inflation (maximum of 5% each year).
- In times of high inflation, the Company has the discretion to increase these benefits above the 5% level.
- This means that benefits already built up will not be linked to salary at date of retirement.

Bridging Pensions (1)



- If you have a Normal Pension Date of age 60, you would currently receive a bridging pension for 5 years from age 60 to 65
- Under the new arrangements, your bridging pension will be converted into a “whole life” pension
- Instead of being paid for just 5 years, payments will be readjusted so that it is paid over a longer period of time (the rest of your life)

Bridging Pensions (2)



- When you retire, you will be able to choose to have your pension paid in the form of a “Level Pension”
- Level Pensions are similar to bridging pensions
- However, depending on the conversion factors in force at the time, the amount of level pension you receive may not be exactly the same as the amount of bridging pension you would expect to receive under the current arrangements

Bridging Pensions (3)



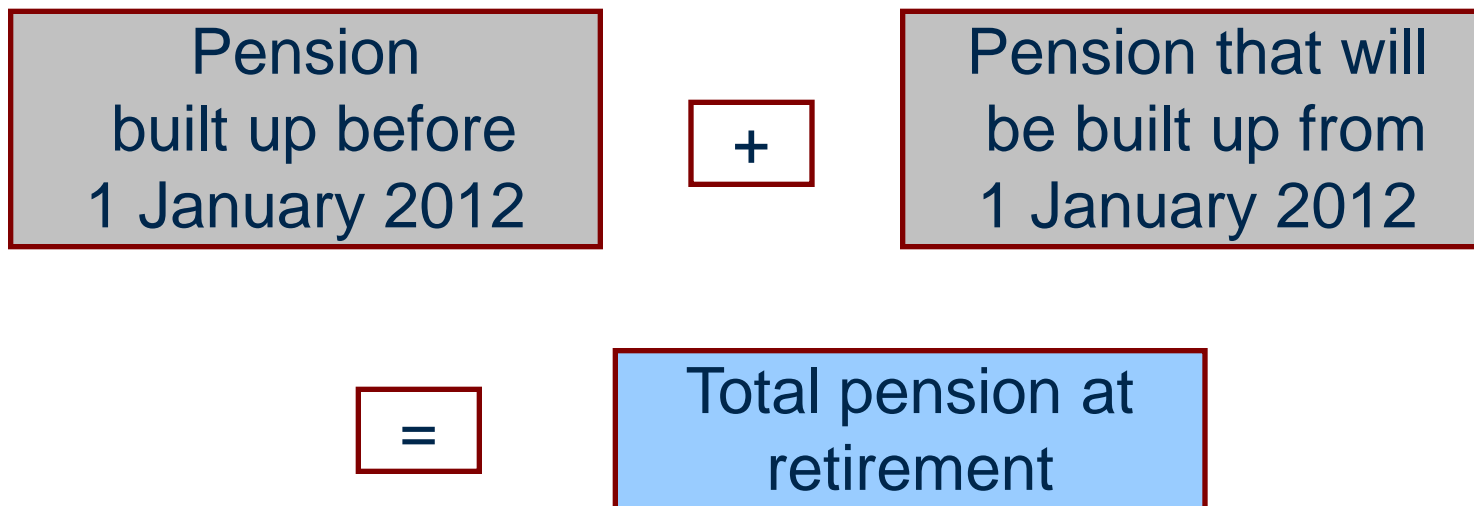
- Under the new arrangements, bridging pensions will stop building up from 1 January 2012
- Some of you have questioned this
- We are looking into this issue and it is being tabled for discussion at a Trustee meeting this month
- We will come back to you with a definitive answer as soon as possible during October

Added Years / Special Service Credits



- A small number of members who joined the current Fund from either the old Rowntree or Nestlé schemes in 1991 were granted special service 'bonus' credits to protect the historic provisions in those old schemes.
- Pensionable Service as at 31 December 2011 will include the portion of the 'bonus credit' already earned between 1991 and 31 December 2011.
- Under the new arrangements, it will no longer be possible for these members to build up further 'bonus credits' from 1 January 2012
- Some of you have queried this
- We are looking into it and taking the issue to the Trustee Board for discussion next month
- We will come back to you with a definitive answer as soon as possible during October

The changes



Your decision – the Decision Pack



- Step 1 - Your figures
 - Personal information and estimated benefits at retirement
- Step 2 – Other information
 - More information and some example costs
- Step 3 - Decision form

Decision Pack – Step 1 Your figures



- Your figures include:
 - Extract from the 2011 Annual benefit Statement (situation at 1 January 2011)
 - Estimate of amount of pension built up to 31 December 2011 and how this is made up
 - Estimated pension at Normal Pension Age

Decision Pack – Step 1 Your figures



- To calculate the amount of pension built up to 31 December 2011 we use your Final Pensionable Pay:
 - This may be different to the Final Pensionable Pay figure used on your last benefit statement
 - Your last benefit statement used your rate of Pay at 1 January less the Deduction
 - The illustration in your Decision Pack uses your current rate of Pay less the Deduction
- To calculate the pension built up from 1 January 2012 we have used your current salary (but with no Deduction)

Decision Pack – Step 1 Your figures



- To calculate the amount of pension built up from 1 January 2012, we have used your current salary:
 - Remember, there will no longer be a Deduction from 1 January onwards
 - We have taken the estimated impact of future inflation and earnings growth into account when producing the figures for the pension in Lanes 2 and 3

Decision pack – Impact



Estimated pension
from 'Your benefit
statement' section
(page 2)

Vs

Estimated total
pension at retirement
(page 3)

- It is impossible to compare the pension on your last benefit statement with the estimated pension under the new arrangements due to the different Pensionable Earnings figures used

Decision Pack – Step 1 Your figures



	Projected benefits built up to 31 December 2011*	Pension built up from 1 January 2012	Total Pension at retirement	Pension as a % of your new estimated Pensionable Earnings projected to retirement
Lane 3	€5,900 + a year	€11,500 = a year	€17,400 a year	48%
Lane 2	€5,900 + a year	€8,600 = a year	€14,500 a year	40%

*Pension includes the impact of the Rowntree Value for Money Guarantee, the assumed difference between future salary increases and inflation and any differences in the Pensionable Earnings figures used to calculate the different parts of the pension

Decision Pack – Step 3

The Decision Form



- Tick one box, either Lane 3 or Lane 2
- Sign the form
- Return to Nestlé Pensions in the UK in envelope provided
- We will accept scanned copies, but only if both sides are scanned
- Deadline: 7 October 2011

Summary



- The pension arrangements are changing from 1 January 2012
- The Decision Pack provides information to help you make a decision about your future pension provision
- Nestlé Pensions is here to help and you can contact us by email, in writing and by telephone
- You need to complete a form and return it to Nestlé Pensions by 7 October 2011
- If you do not return a form to Nestlé Pensions, you will not be enrolled in the new arrangement from 1 January 2012 and will stop building up any further benefits

Questions and Answers

