



Nestlé European Pension Fund Irish Section

# Member Update

August 2014

## Investments

The NEPF achieved an overall return of 7.4% over the year.

## Increase in fund value

The value of the NEPF increased to: **€137.8 million**



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# Welcome

**Welcome to your first Nestlé European Pension Fund (NEPF) Member Update. In this issue you'll find a summary of the accounts for the Irish Section of the NEPF for the year ending 31 December 2013, as well as details of membership, investments and the current funding situation for the NEPF as a whole. We've also included some information on how the NEPF is run.**

If you've been a member for some time, you'll find that this newsletter has a slightly different format to the newsletters you used to receive from the former Nestlé (Ireland) Pension Fund (NIPF). The NEPF provides benefits to Nestlé Group employees in several different countries and sections. So in the pages that follow, you'll find information on both the NEPF as a whole and the Irish Section in its own right.

The year ending 31 December 2013 was a good one for the NEPF and the Irish Section. In spite of continued difficult economic conditions around the world, the NEPF's equity portfolio performed strongly. As a result, together with contributions made during the year, the total value of the NEPF's assets increased by €5.3 million to €137.8 million. You can read more about the investments on pages 6 to 7.

On pages 8 to 9 you can find details of the current funding situation of the NEPF. Following the transfer from the NIPF to the NEPF, the funding level is now calculated in accordance with Belgian funding regulations. Like in Ireland, there is a minimum funding requirement, although this is not on the exact same basis as the Minimum Funding Standard that the NIPF had to be assessed against every year. We are pleased to confirm that as at 31 December 2013, both the NEPF and the Irish Section were in surplus.

We hope that you find this update useful and look forward to hearing any feedback you may have.

**Nuala Barry**

Chairman – Irish Pension Council

# Overview of the NEPF

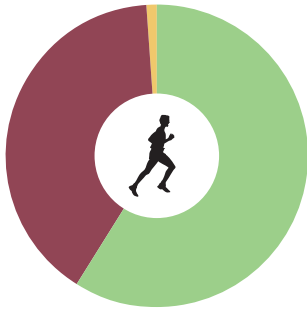
Value of NEPF at 1 January 2013: **€132.5 million**



Value of NEPF at 31 December 2013: **€137.8 million**



Of which (at year end):



Irish Section	€81.5 million
Belgian Section	€56.1 million
Luxembourg Section	€0.2 million
<b>Total</b>	<b>€137.8 million</b>

## Membership as at 1 January 2014

	Actives	Deferreds	Pensioners	Total
Irish Section	83	279	411	773
<b>Total members in NEPF</b>	<b>723</b>	<b>986</b>	<b>707</b>	<b>2,416</b>

### Info point

The NEPF is a cross-border pension arrangement that currently provides pension arrangements for Nestlé Group employees in three European countries – Belgium, Luxembourg and Ireland. Benefits are provided on a different basis in each of the participating countries.

# Income & expenditure

Here's a summary of payments to and from the Irish Section of the NEPF for the 12-month period ending 31 December 2013. These figures are included in the value of the NEPF shown opposite.

## Money coming into the section

	€000
Company contributions	€1,419
Member contributions including AVCs & transfers in	€228
Bulk transfers in from NIPF	€79,963
Annuities & other income	€260
<b>Total</b>	<b>€81,870</b>

## Money going out of the section

	€000
Benefits payable	€3,730
Transfers out/refunds (individual leavers)	€72
Administration, legal and investment expenses paid by the section	€506
Pension Levy	€480
Reinsurance premiums	€30
<b>Total</b>	<b>€4,818</b>

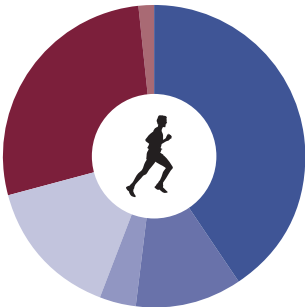
### Info point

There is no longer a requirement to produce formal accounts for the Irish Section in its own right. We are able to provide a breakdown of contributions received and benefits paid, but cannot provide information about investment income or changes to the value of investments as these are only accounted for on a NEPF-wide basis. If you'd like to know more, a copy of the full accounts for the NEPF is available on request from Nestlé Pensions.

# Investments

Equity markets performed strongly in 2013 and, despite bond markets performing less well, positive performance in the equity portfolio meant the NEPF achieved an overall return of 7.4% over the year.

Here’s where the NEPF’s assets were invested as at 31 December 2013:



The NEPF aims to hold 70% of its assets in return-seeking assets and 30% in risk-reducing assets. There is one investment policy for the NEPF as a whole. The Board of Directors regularly monitors the investments and the Strategic Asset Allocation to make sure they are still appropriate for the NEPF’s needs.

## Return-seeking assets

Equities	40.8%
Property	11.2%
Commodities	4.0%
Hedge funds	15.0%

## Risk-reducing assets

Bonds	27.6%
Cash	1.4%

## Return-seeking assets

Higher-risk investments, such as equities, which are more likely to change suddenly in value in the short term, but which are believed to deliver higher investment returns in the long term.

## Risk-reducing assets

Lower-risk investments, such as Government bonds, which are unlikely to experience any sudden drops in value.

## Investment performance

The table below shows the recent investment performance of the NEPF.

	1 year	3 years
Actual investment returns	7.4%	5.0%
Benchmark	7.3%	5.1%

### Info point

The NEPF is a less mature fund than the former Nestlé (Ireland) Pension Fund – in other words, unlike the NIPF, it has more active and deferred members than pensioners. This has an impact on the investment strategy and is one of the reasons why the NEPF holds a larger proportion of return-seeking assets and a smaller proportion of risk-reducing assets compared with the NIPF.



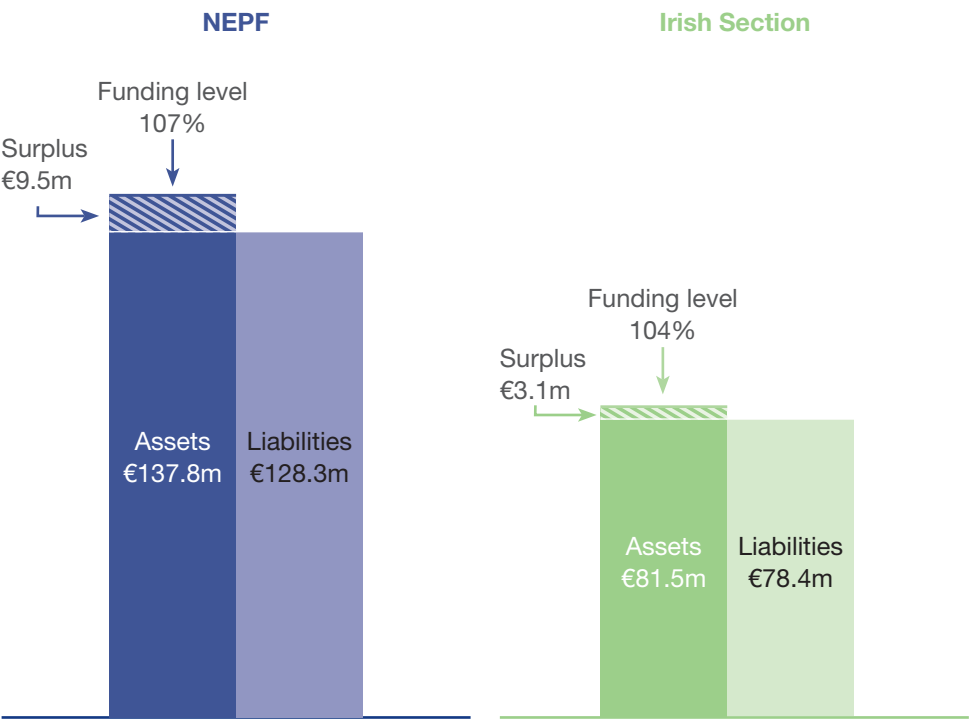


# Funding update

Every year, we will provide a funding update to let you know how the NEPF is performing.

To do this, we compare the value of the NEPF’s assets (the money it has available) against its liabilities (the estimated amount of money it needs to ensure that in future it can pay the benefits members have already earned). Comparing the assets with the liabilities gives a funding level which indicates whether the NEPF has a surplus (more money than it needs to pay members’ benefits) or a deficit (less money than it needs to pay the benefits).

Below you will find details of the funding situation as at 31 December 2013:





## How are the liabilities calculated?

The NEPF's Actuary, a qualified professional who is independent from the NEPF and the Company, calculates the value of the liabilities using appropriate assumptions for each section of the NEPF. Wherever we use the term 'liabilities' in this newsletter, we mean the NEPF's 'Long Term Technical Provisions' as defined by Belgian pension funding regulations. This is a technical term, which is used to refer to the specific liabilities the Actuary is required to take into account when calculating the funding level.

The liabilities illustrated opposite are now calculated on a Belgian funding basis. Some of the assumptions used are different to those used to calculate the Irish Minimum Funding Standard. Under Belgian regulations, each section of the NEPF must be at least 100% funded on the Belgian 'Short Term' funding basis at all times.

Every year, the NEPF's Actuary formally assesses the financial health of the NEPF on both a short-term and long-term basis. As part of this exercise, the Actuary looks at both the funding level of the NEPF as a whole, as well as the funding level of each individual section. If any section is found to be less than 100% funded, then the sponsoring employer of that particular section will be required to make an additional payment to bring the funding level back up to 100%.

## Why is there now a surplus?

The Irish Section had a surplus of €3.1 million at 31 December 2013.

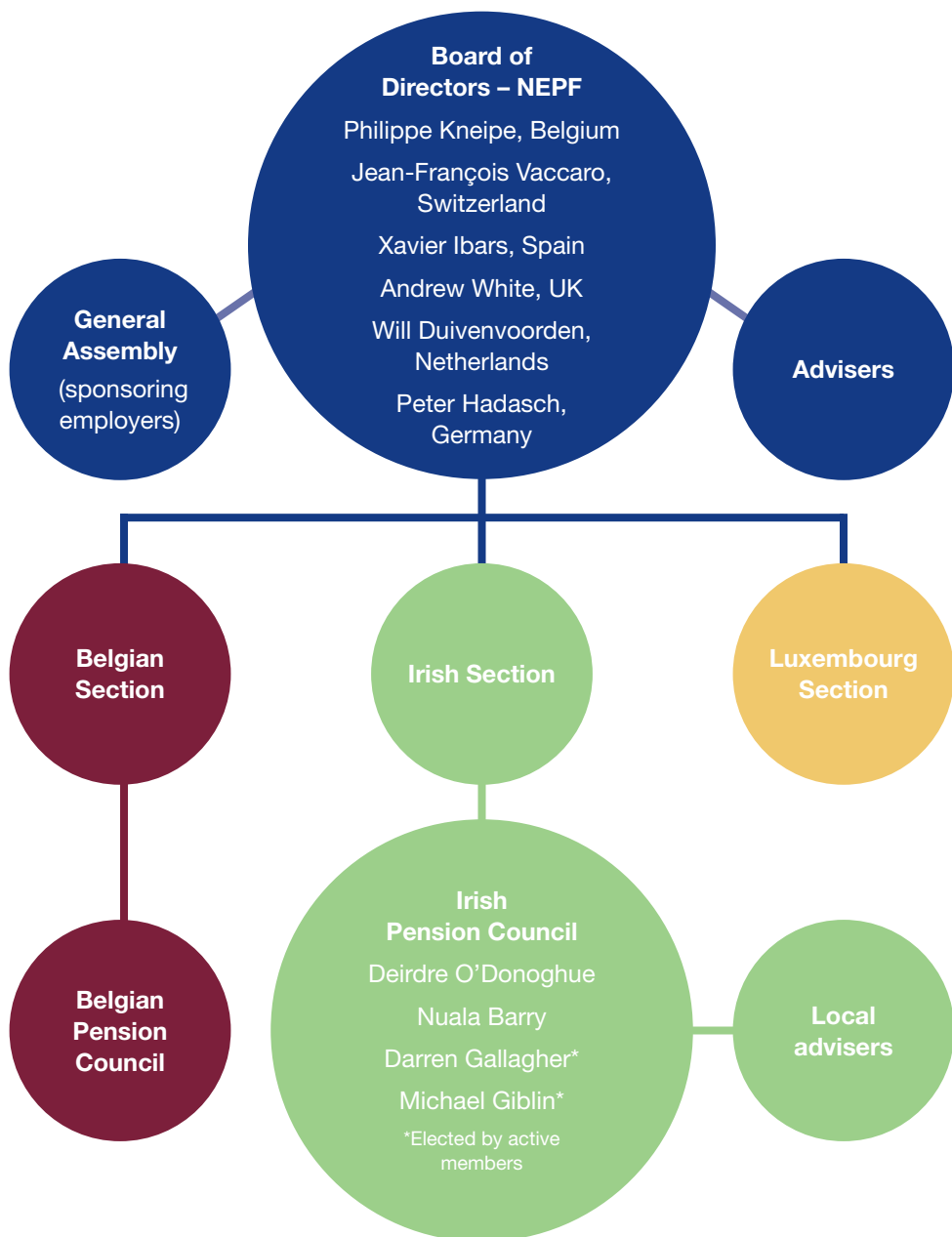
This was mainly due to:

- the significant additional contributions made by Nestlé (Ireland) as part of the transfer from the NIPF;
- positive investment returns during 2013; and
- the fact that the liabilities are now calculated in accordance with Belgian funding regulations.

## Other things we need to tell you

By law, we are required to tell you about the risks associated with the NEPF. The main risk is that there could be a shortfall in the NEPF's assets (for whatever reason). In the unlikely event that the NEPF has to be wound up and there is a shortfall that Nestlé is unable to make up, the appointed liquidator would determine a priority order for the discharge of benefits to different categories of members.

# How is the NEPF run?



**The Board of Directors is the overall ‘Trustee’ of the NEPF. It is responsible for all decisions relating to funding and investment for all sections of the NEPF and for complying with all statutory requirements.**

The six Directors are Nestlé Group employees from various countries, who have relevant professional experience. They meet four to six times a year and are assisted by a number of specialist advisers.

The Directors are appointed by the General Assembly, which meets once or twice a year and consists of representatives from the various sponsoring employers.

In addition, the Irish and Belgian Sections have local Pension Councils, made up of Nestlé and member-nominated representatives. The representatives on the Irish Pension Council are the four previous Trustee Directors of the former NIPF. The Pension Council meets a couple of times a year to consider Irish pension issues and legislation. It is not responsible for investment or funding issues, but is informed of them and can make recommendations to the Board of Directors.

## The Advisers

### NEPF

**Actuary** – Thierry Verkest, Aon Hewitt (Belgium)

**Auditors** – KPMG

**Bankers** – BNP Paribas Fortis

**Custodian** – Northern Trust

**Investment advisers** – Nestlé Capital Advisers

**Investment managers** – State Street Global Advisers, Nestlé Capital Management, various other managers

**Solicitors** – Claeys & Engels

**Underwriter** – Generali

### Irish Section

**Actuary** – Cathal Fleming, FSAI, Mercer (Ireland) Limited

**Administrators** – Nestlé Pensions, Gatwick

**Bankers** – BNP Paribas Fortis

**AVC providers** – Irish Life Assurance plc, The Equitable Life Assurance Society, Standard Life Assurance Limited, Friends First Life Assurance Company Limited

**Solicitors** – William Fry (Ireland), Loyens & Loeff (Belgium)

## About the NEPF

The NEPF is a cross-border pension scheme registered with the Financial Services and Markets Authority in Belgium under FSMA reference number 50.111.

Its registered address is:

Nestlé European Pension Fund  
(Fonds de Pensions Européen Nestlé OFP)  
Rue de Birmingham, 221  
1070- Anderlecht  
Brussels  
Belgium

## Address for member correspondence

Nestlé Pensions  
1 City Place  
Gatwick  
RH6 0PA  
United Kingdom

**Tel:** +44 208 667 6363

**Email:** [pensions@uk.nestle.com](mailto:pensions@uk.nestle.com)

**Website:** [www.nimpensions.co.uk](http://www.nimpensions.co.uk) (password: citywest)

## Other documents you might like to see

The following documents are available on request from Nestlé Pensions if you would like to see them:

### About the NEPF

- The Plan Rules
- The By-Laws
- The Statement of Investment Principles
- The Actuarial Report
- The Annual Accounts

- The Financing Plan
- The Management Agreement

### About the Irish Section

- The Irish Section Rules
- Constitution and Powers of the Irish Pension Council