Nestlé Ireland Pension Changes - proposals





Andrew R White Head of Group Pensions UK & Ireland 4 August 2011





- Briefing session in advance of a pensions newsletter that you will receive next week
 - Why is change essential?
 - What are the proposed changes?
 - What happens now?

Introduction



- Nestlé is committed to providing quality pension benefits for our employees in Ireland;
- We will continue to offer a defined benefit option, but on a new career average basis; and
- We want to provide pension benefits that are sustainable for the long-term.
- We believe that these proposals will set us apart from most other companies. Nestlé is committed to providing great pensions

What do we have now?



- Nestlé (Ireland) Pension Fund
- 780 members
- About €61m of assets
- Significant deficit
- Final-salary design
- Pension at retirement =

1 / 60th x service in the Fund x Salary

Why is change essential



- The future economic outlook remains really tough.
- The cost of providing the Company's current pension arrangements, which are on a final-salary basis, are significant and rising:

Increased volume of legislation and regulation

People are living longer

Lower investment returns in the future

Why is change essential?



- In a final-salary scheme the Company is responsible for making sure that the Fund has enough money.
- Company takes on the 'risk' of providing these types of pension arrangements.
- To ensure our pensions are sustainable for the long term the risks and costs of providing these pensions need to be shared
- As a result of all of these issues the Company has conducted a review of its pension arrangements both here in Ireland and in the UK.

What is changing?



- 1. More choice for future pension build up
- Defined benefit retained, <u>but</u> from 1 January 2012 benefits to be offered on new Career Average basis, rather than existing final salary basis
- 3. In 2013 additional defined contribution option to be introduced
- 4. Revised (lower) contribution rates for employees and the Company
- 5. Future costs will be shared between the Company and members on a 60 / 40 basis
- 6. Revised definition of Pensionable Earnings



What is changing?



- 7. Improved ill-health pension
- 8. All benefits built up in current Fund will be calculated at 31 December 2011 and increased in future in line with CPI inflation up to a maximum of 5% a year
- 9. Proposal to transfer all the assets and pensions from the current Fund to a Nestlé pan-European pension arrangement based in Belgium
- 10. Significant additional contributions from the Company to proposed new arrangement to improve the financial health of the Fund

Options from 1 January 2012 (Lane 1 from 2013)





Who will be affected?



- Changes to future benefit design will affect all employees who are members of the Nestlé (Ireland) Pension Fund or are eligible to join it now and in the future, including employees of Group companies in Ireland (except Lactalis)
- New benefit structure with three Lanes will be open to all employees who are members of the Fund as at 31 December 2011.
- New employees will have access to Lane 1 and 2.
- If proposal to transfer assets goes ahead, all members, including pensioners and deferreds affected in that all benefits will be held / paid from new arrangement from 1 January 2012 onwards

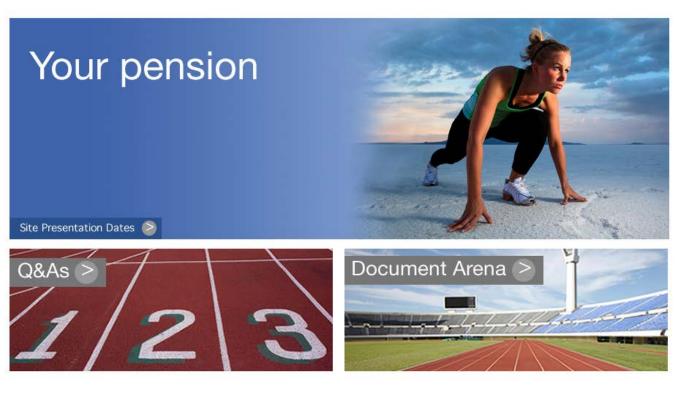
What happens now?



- Detailed newsletters will be posted out to all employees at home addresses tomorrow / Monday
- Explanatory employee presentations to be held in Citywest during August (15th, 16th, 25th, 26th)
- Decision packs issued early September they will include a personal illustration of the benefits you get under the new arrangements
- Further presentations / option of one-to-ones if required during September
- Decision deadline end of September
- October further communication about proposed transfer to pan-European pension scheme







Contacts

Phone: 020 8667 6363

Email: pensions@uk.nestle.com

Write: Nestlé Pensions, St George's House, Croydon, Surrey CR9

Summary



- Protect the past
- Three new options for the future
- Flexibility to suit members' needs
- Defined benefit options still available
- The benefits are really valuable
- Nestlé is committed to great pensions
- Pensions are complex we are here to help



