



Nestlé UK Pension Fund

Results of the 2018 Fund valuation

Inside we bring you the results of the 2018 Fund valuation
as well as the 2019 and 2020 funding updates

Read a joint statement from the Trustees and Nestlé

Read about the outcome of the valuation

See results of the Trustee selection process

Joint statement from the Trustees and Nestlé

As part of the process for agreeing the 2018 valuation, the Trustees of the Nestlé UK Pension Fund (the Fund) and Nestlé UK (Nestlé) have been working on a valuable package of measures to significantly transform the long-term security of the Fund and to improve the overall funding position. While the process took longer than expected, we are pleased to say that the valuation is now complete.

In line with the guidance from The Pensions Regulator, the Trustees and Nestlé agreed that reaching a position of 'low dependency' is best for Fund in the long term. Among other things, 'low dependency' broadly means that the Trustees will invest the Fund's assets in a way that will aim to match the Fund's liabilities now and in the future, so there is a lower chance of requiring further support from Nestlé.

For the Trustees of the Fund, this reduces the risk that a deficit will arise in the future, and therefore reduces the likelihood of calling on Nestlé over the long term to pay into the Fund, which in turn improves the security of member benefits moving into the future.

For Nestlé, this brings more predictability of pension costs, which helps with short and long-term financial and business planning, and reduces the risk of having to pay unknown levels of deficit contributions into the Fund in the future. Over the last ten years, Nestlé has paid just over £900 million in deficit payments to the Fund.

Both the Trustees and Nestlé are satisfied with what has been agreed, which will benefit the long-term future of the Fund.

There are two key outcomes of the valuation:

The valuation showed that there was a deficit in the Fund at 31 December 2018 of £500 million. From 2019 to 2021 Nestlé has paid £261 million towards this deficit. Nestlé paid off the balance of this deficit in a single payment in June 2021.

The valuation has shown that the cost of providing pensions that are being built up by current employees in DB Core and DB CorePlus has gone up. This means that employee and employer contributions to DB Core and DB CorePlus will increase from 1 November 2021.

There were a number of other outcomes from the valuation – many of which provide increased security of benefits for members of the Fund. You can read more about these other outcomes on the website – find out more about how to do this on the next page.

Note: This newsletter is for information only. You do not need to take any action.

Steve Delo
Chair of the Nestlé UK Pension Fund Trustee Board

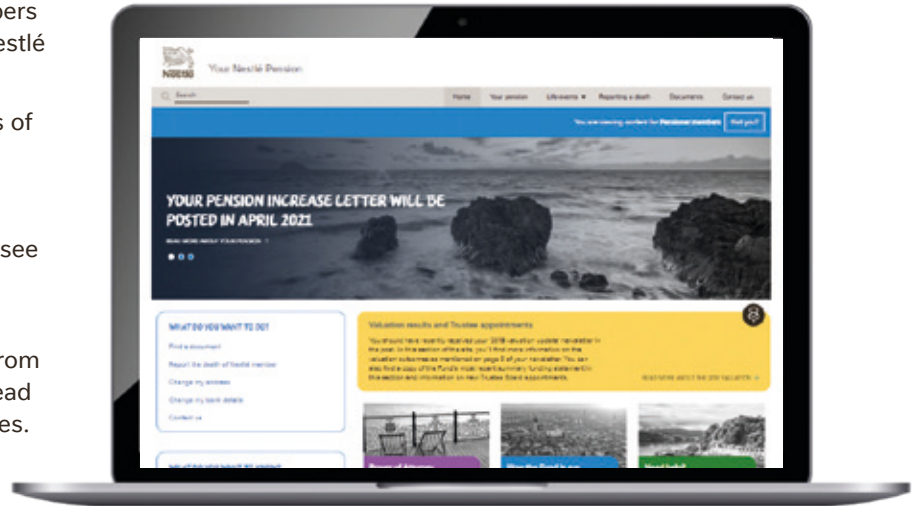
Andrew White
Head of Group Pensions, Nestlé UK & Ireland

Visit our website to find out more

Don't forget, deferred and pensioner members have their own dedicated sections of the Nestlé pensions website.

Find out more about the different outcomes of the valuation online in three simple steps:

- 1) Go to nestlepensions.co.uk,
- 2) Choose what type of member you are to see information relevant to you, and
- 3) Once you're in the deferred or pensioner section of the site, simply click through from the yellow '2018 Fund valuation' tile to read more about the valuation and its outcomes.



What is a valuation?

The key objective for Trustees of defined benefit (DB) pension schemes is to pay the pension benefits that have been promised to the members of the pension scheme.

To do this, Trustees need to look ahead and set plans for how they will deliver that objective. It's good practice for Trustees and employers to work together to agree how they will deliver the objective.

One of the key areas that Trustees and employers can work together on is the Fund valuation.

A valuation is a financial 'health check' of the DB sections of the Fund. It compares the total value of the Fund's assets (the money the Fund has available now) with its liabilities (the estimated amount of money it will need both now and in the future to pay the benefits which members have already earned).

The percentage of the liabilities covered by the assets is called the 'funding level'. If the funding level is below 100%, there is a deficit or shortfall to make up; if the funding level is above 100%, there is a surplus.

A valuation will show whether or not there is a shortfall in the Fund and whether any action needs to take place as a result. The valuation also works out what contributions are needed to pay for benefits that will be built up in the future for DB Core and DB CorePlus members.

What is 'low dependency'?

The Pensions Regulator is encouraging pension schemes to move to a position where they have a low level of dependency on the employer, and to invest the pension scheme's assets in a way that protects them from high levels of investment risk (the risk that the value of the investments falls significantly during a period of time).

Note: The Fund is managed by a Trustee Company: Nestlé UK Pension Trust Ltd. The company acts through its board of directors, who we generally refer to as 'Trustees'.



Valuation results

Following the completion of the 2018 valuation, we have to issue all Fund members with a 'summary funding statement'. This sets out the results of the valuation, together with other information required by law.

You can find the full summary funding statement online at [nestlepensions.co.uk](https://www.nestlepensions.co.uk) – first, select the section of the site relevant to you (deferred or pensioner), then simply click through from the yellow '2018 Fund valuation' tile to find a copy of the summary funding statement. You can also find a copy under 'Member communications'.

If you'd like a printed version of the summary funding statement, contact Nestlé Pensions using the contact details on the back page.

In summary, the position at 31 December 2018 was:

Funding level 90.5%



From 2019 to 2021 Nestlé has paid £261 million towards this deficit. Nestlé paid off the balance of this deficit in a single payment in June 2021.

Assets

The money the Fund has available.

Liabilities

The estimated amount of money the Fund needs to pay benefits – also known as the 'technical provisions'.

Deficit

The Fund's assets are less than the liabilities, so there is a shortfall.

Funding level

The ratio of assets and liabilities shown as a percentage.



Funding updates from December 2019 and December 2020

In between valuations, the Fund actuary also needs to provide a funding update to show how the Fund is doing. Below, we show the funding position at 31 December 2019 and 31 December 2020.

	2019	2020
Value of assets	£5,370 million	£5,950 million
Value of liabilities	£5,540 million	£5,990 million
Deficit	£170 million	£40 million
Funding level	96.9%	99.3%

You can find the full versions of these 'annual funding updates' on the website by following the instructions on page 3.

In 2019 and 2020 the value of the Fund's liabilities increased. This was mainly due to a continued fall in interest rates during the period which means more money needs to be set aside now to pay for future pensions.

The Fund's assets also performed well over the same period. There are three main reasons for this:

- The Fund's investments in assets like stocks and shares ('equities') performed well – despite the market reaction to the pandemic in March 2020.
- The Fund's investment strategy also looks to invest in assets where their value changes in line with movements in the value of the Fund's liabilities – meaning that, as the value of the liabilities increased over 2019 and 2020, so did the value of the Fund's assets.
- Nestlé paid £87.5 million a year in 2019 and 2020, and £86 million in January 2021, towards the deficit (agreed as part of the 31 December 2015 valuation).

The good news is that the value of the assets has increased faster than the value of the Fund's liabilities during the period – so the funding level has increased. This will help the Fund reach a position of 'low dependency' on Nestlé – as described on page 3.

31 December 2021 valuation

Fund valuations take place every three years, and the next valuation is due on 31 December 2021. The Trustees and Nestlé will start work on that valuation process shortly, and we expect it to be complete in late 2022 or early 2023. We will communicate the results following the completion of the valuation.



Results of the Trustee appointment process

In 2020, the Trustees ran the Make a Difference campaign to find suitable people to fill vacant positions on the Trustee Board. While the process was delayed by the impact of Covid-19 on our ways of working, we were delighted with the response and we're pleased to announce that the new Trustees are now on board.

Changes to your Trustee Board



Marcus Barry

Marcus Barry has been reappointed as a Trustee.



Belinda Eddington

Belinda Eddington has been appointed as a new Trustee from 10 June 2021.



Richard Rowden

Richard Rowden has been appointed as a new Trustee from 10 June 2021.

Belinda and Richard will replace Barbara Firth and Steve Robinson.



Barbara Firth

Barbara has been a Trustee since 2014. As well as sitting on the main Board, Barbara was a member of the Defined Benefit Financing Committee before joining the Governance and Compliance Committee in 2017.



Steve Robinson

Steve has been a Trustee since 2015. As well as sitting on the main Board, Steve was a member of the Defined Contribution Committee from when it was set up in 2015.

We would like to thank Barbara and Steve for their commitment and valuable contribution to their respective committees and to the Board during their time as Trustees.

We now look forward to working with Belinda and Richard, and to continuing to work with Marcus.

You can read more about Belinda and Richard on the website at [nestlepensions.co.uk/how-the-fund-is-run](https://www.nestlepensions.co.uk/how-the-fund-is-run)

For further information about the Nestlé UK Pension Fund you can:



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020 8667 6363



Email us at:
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Visit the website at:
nestlepensions.co.uk

Legal note

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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 affect its accuracy 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 when 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.

