



Summary Funding Statement

March 2023

Keeping you updated on the financial position of your Pension Fund

Following completion of the three-yearly actuarial valuation, the Trustees of the Nestlé UK Pension Fund (the Fund) produce a Summary Funding Statement, like this one. It provides you with an update on the funding position of the Defined Benefit (DB) sections of the Fund – DB Core and DB CorePlus.

We use independent advisers to help us monitor the Fund's finances. This statement summarises the results of the recently completed actuarial valuation of the Fund as at 31 December 2021. It also gives you an overview of what has happened to the funding position since then.

We're pleased to announce that the valuation as at 31 December 2021 revealed a funding surplus of £230 million.

You can find out more about this valuation on page 2 of this Summary Funding Statement, and go to page 3 for answers to some frequently asked questions.

Steve Delo
Chair of the Trustee Board
On behalf of the Trustees of the Nestlé UK Pension Fund

What is a 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 the Fund will need in the future to pay for the benefits that have already built up for DB members).

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 shows whether or not there is a shortfall in the Fund and whether the Trustees need to take any action as a result.

The valuation also works out what contributions are needed to pay for the benefits that will be built up in the future for DB Core and DB CorePlus members.

Actuarial valuation and funding position as at 31 December 2021

At 31 December 2021, the Fund's liabilities were £6,310m and its assets were £230m more than this.

Position as at 31 December 2021

..... Surplus: £230m



The chart shows that on 31 December 2021 there was a £230m surplus in the Fund.

When we wrote to you last year, we reported a deficit of £40m at 31 December 2020. The improvement in the Fund's position over the year, revealed by the new actuarial valuation as at 31 December 2021, is mainly due to the additional contributions made by Nestlé UK Ltd during 2021. These were payments of £86m and £262m made respectively in January and July of that year.

We expect the position to change from year to year because the Fund's finances depend on changes in global financial markets.

The next full actuarial valuation is due as at 31 December 2024.

Assumptions

The Fund's liabilities

The Trustees employ an independent expert to provide regular checks on the Fund's finances. These regular check-ups involve calculating the Fund's liabilities. You can see the latest update above.

The Fund's liabilities is the amount that is expected to be enough to continue to pay out all the pensions that members have already built up in the Fund, based on assumptions about the future. Examples of these assumptions include how long people will live, what inflation will be, and what returns will be earned on the Fund's investments.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how actual experience compares with the assumptions made.

The Fund's assets

The assets of the Fund come from contributions paid by members and by the Company, together with investment growth.

The assets of the Fund are held separately from the Company and the Fund's Trustees are responsible for investing this money.

The DB assets are held in a common fund – they are not held in separate pots for each member. Pensions are paid to retired members out of this common fund.

Since the valuation – an update

Despite the very significant market disturbance following the September 2022 mini-budget, the Fund's surplus has only changed slightly since the valuation at 31 December 2021 took place, reducing to an estimate of £110m as at 30 November 2022. The stability in the funding position is a result of the lower-risk investment strategy introduced once the 2018 actuarial valuation was completed.

You can find out more about the impact the mini-budget had on the Fund – and pensions in general – in our update at [nestlepensions.co.uk/mini-budget-update](https://www.nestlepensions.co.uk/mini-budget-update)

Some common questions answered

Q What if the Fund has to wind up?

A Nestlé UK Ltd and the Trustees do not intend to wind up the Fund. We do, however, monitor what would happen if Nestlé was no longer able to support the Fund. In this unlikely event, a wind-up of the Fund could begin and the responsibility for paying members' pension benefits would then be transferred to an insurance company.

The Trustees monitor the cost of securing all members' benefits with an insurance company.

The most recent formal estimate provided by our independent advisers looked at the position on 31 December 2021. This estimate showed that, at that date, the Company would have to make an additional final contribution of about £720m to make sure all members' pensions could be paid in full by an insurance company.

This is a larger deficit compared with the position shown on page 2, but this is fairly common amongst similar UK pension schemes.

In practice, if Nestlé UK Ltd was unable to pay further contributions to the Fund, for example in the case of insolvency, then we expect that further funds would become available under the guarantee of £1.9bn provided by Nestlé's parent company, Nestlé SA.

Q Is my pension protected?

A If Nestlé UK Ltd became insolvent and there was not enough money to secure benefits in full with an insurance company (even allowing for the guarantee from Nestlé SA), then members may not receive their full pension benefits.

To help members in this situation, the Government has set up the Pension Protection Fund. If the Fund were to enter the Pension Protection Fund, the amount members receive may be less than the pension benefits built up for them in the Fund.

The Pension Protection Fund rules are complex – the amount it will pay depends on the rules of the Fund, whether a pension is already being paid, a member's age and the type of pension benefit.

You can find out more about the Pension Protection Fund at www.ppf.co.uk – you can also write to them at PO Box 254, Wymondham, NR18 8DN, or call 0345 600 2541.

Q What about my additional voluntary contributions (AVCs)?

A The Fund holds AVCs for members who make them – these are invested separately.

Q Is there anything else I need to know?

A Regulations require us to confirm that since the last Summary Funding Statement, Nestlé UK Ltd has not taken any money out of the Fund and The Pensions Regulator has not intervened in the running of the Fund. We are happy to confirm this.

Further Information

If you have any questions or would like to see a copy of the Fund's financial accounts, rules, investment or funding policy documents, please contact Nestlé Pensions using the details below.

If you're thinking of making any changes to your pension arrangements, you should speak to a financial adviser before you take any action. By law, we cannot provide you with financial advice.

Are your details up to date?

Please let us know if your contact details have changed.

You can also change the people you have nominated to receive benefits when you die by completing a Nomination Form or a Dependant's Pension Nomination Form. You'll find both of these at [nestlepensions.co.uk/documents/forms](https://www.nestlepensions.co.uk/documents/forms)



Write to us at:

Nestlé Pensions
1 City Place
Gatwick
RH6 0PA
United Kingdom



Call us on:

020 8667 6363



Email us at:

pensions@uk.nestle.com



Visit the website at:

[nestlepensions.co.uk](https://www.nestlepensions.co.uk)

Issued by the Trustees of the Nestlé UK Pension Fund

March 2023

© Copyright Nestlé UK Pension Fund. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Nestlé UK Pension Fund.