

Summary Funding Statement

November 2023

Keeping you updated on the financial position of your Pension Fund

Every three years, the Trustees of the Nestlé UK Pension Fund (the Fund) carry out an actuarial valuation. In the years between actuarial valuations, the Trustees produce a Summary Funding Statement, like this one, which 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 and this statement gives you a snapshot of the financial position as at 31 December 2022.

The valuation as at 31 December 2021 showed a funding surplus of £230 million. However, mainly due to rises in interest rates, the surplus had fallen to an estimated £30 million by 31 December 2022.

You can find out more about the updated funding position on page 2 of this Summary Funding Statement, along with answers to some commonly asked questions on page 3.

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).

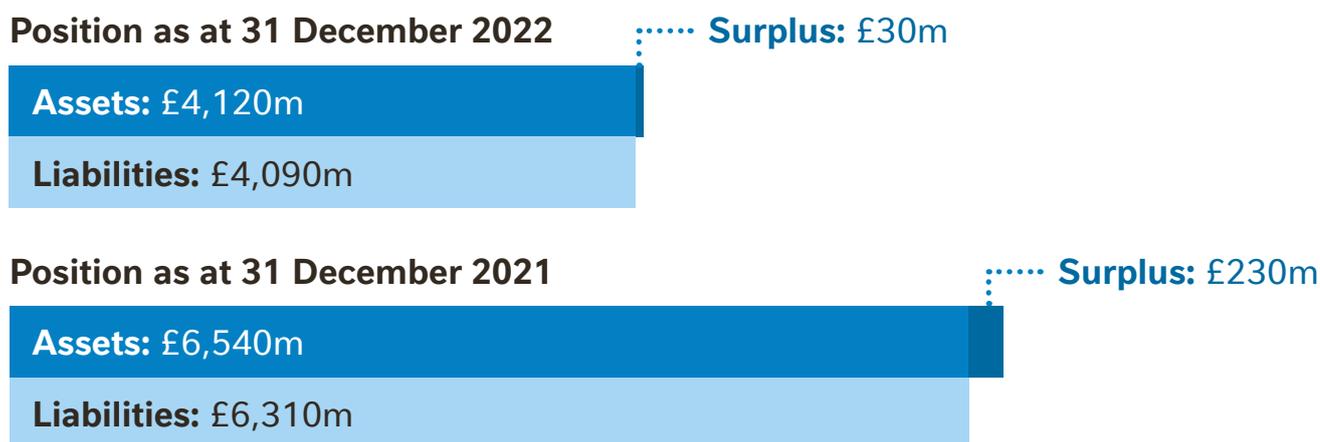
The percentage of the liabilities covered by the assets is called the funding level. If the funding level is below 100%, there is a deficit, or shortfall, to make up. If the funding level is above 100%, there is a surplus.

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 as at 31 December 2021 and funding update as at 31 December 2022

The chart below shows how the Fund's assets, liabilities and surplus changed between 31 December 2021 and 31 December 2022.



The chart shows that on 31 December 2022 there was an estimated £30m surplus in the Fund.

When we wrote to you in March this year, we reported a surplus of £230m at 31 December 2021. The reduction to £30m since then is mainly due to the very significant market disturbance from September 2022 to December 2022 following that autumn's mini budget.

As you can see, the assets also fell significantly – this was largely because rises in interest rates reduced the value of the Fund's government and corporate bond investments. But higher interest rates also meant that the value of the Fund's liabilities fell. This is because, with higher interest-rate income from the assets, the Fund doesn't need to hold as much money now to meet future pension payments.

Since 31 December 2022

We expect the snapshot to change from year to year because the Fund's finances depend on changes in the global financial markets, but the funding position has remained relatively stable over 2023 so far.

The next full actuarial valuation is due as at 31 December 2024, and we'll send the results of that to you as soon as we've completed it. We'll also include another funding update as at 31 December 2023 in next year's Pensions News.

Assumptions

The Fund's liabilities

The Trustees employ an independent expert called an actuary to provide regular checks on the Fund's finances. These involve calculating the Fund's liabilities.

The value of the Fund's liabilities is the amount of money 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 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 Fund's 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.

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 at the time of our last actuarial valuation. This estimate showed that, at that date, the Company would have to make an additional final contribution of about £720 million 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 were 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 £1.9 billion 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 ppf.co.uk – you can also write to them at PO Box 254, Wymondham, NR18 8DN, email information@ppf.co.uk or call them on 0345 600 2541.

Q What about my additional voluntary contributions?

A The Fund holds additional voluntary contributions 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. The Fund has also published its Task Force on Climate-related Financial Disclosures (TCFD) Report.

Read the TCFD Report

If you'd like a printed copy of the TCFD Report, **contact Nestlé Pensions**.

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)



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