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Nestlé European Pension Fund
Irish Section

Member Update

October 2015

Investments

The NEPF achieved an overall return of 11.9% over the year to 31 December 2014

Increase in fund value

The value of the NEPF increased to €149.2 million at 31 December 2014



Contents

- 4 Value of the NEPF
- 6 Membership
- 7 Income and expenditure
- 8 Investments
- 10 Funding
- 14 How is the NEPF run?



Welcome

From Brussels

Welcome to this year's Member Update.

In this issue you'll find a summary of the accounts for the NEPF for the year ending 31 December 2014, as well as information on investments and funding and a reminder of how the NEPF is run.

2014 was a good year for the NEPF. Strong investment performance in all the asset classes in which we invest resulted in the NEPF returning 11.9% for the year and the value of total assets increasing by €7.1 million to €149.2 million at 31 December 2014. You can find more information about the NEPF's investments on pages 8 and 9.

With the exception of the Luxembourg Section, which represents a very small proportion of the NEPF's total assets and liabilities, the funding levels improved on both a short and long-term basis in the year to 31 December 2014 for both the NEPF as a whole and its various country sections. Read more about funding from page 10.

Philippe Kneipe

Chairman of the Board, NEPF

From Dublin

The Irish Pension Council met twice during 2014. It's our responsibility to specifically consider issues relating to Irish pensions, including communication and administration. The Board of the NEPF has responsibility for any funding or investment decisions relating to the assets of the Irish Section.

Earlier this summer, the terms of office of the two Member-Nominated members of the Pension Council, Darren Gallagher and Michael Giblin, expired. The decision was taken to maintain the arrangements that had existed to appoint Member-Nominated Trustee Directors to the Board of the former Nestlé (Ireland) Pension Fund.

Nominations were invited from active members of the Irish Section of the NEPF. Both Darren and Michael decided to stand for a further term and no other candidates came forward, so they were re-elected for a further term of six years. We look forward to continuing to work with them.

Nuala Barry

Chairman, Irish Pension Council

Value of the NEPF

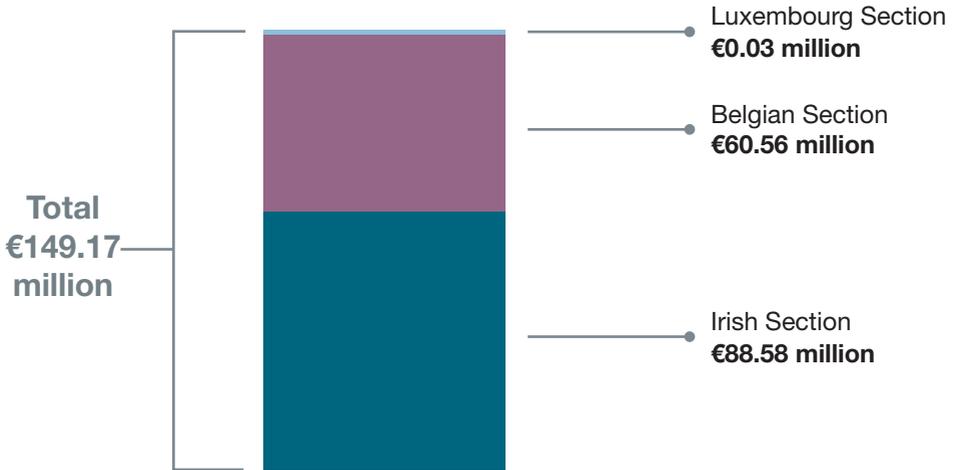


*This year we've also included all of the assets, including monies held in the NEPF's defined contribution sections, which we excluded from the overall value last year.

Info point

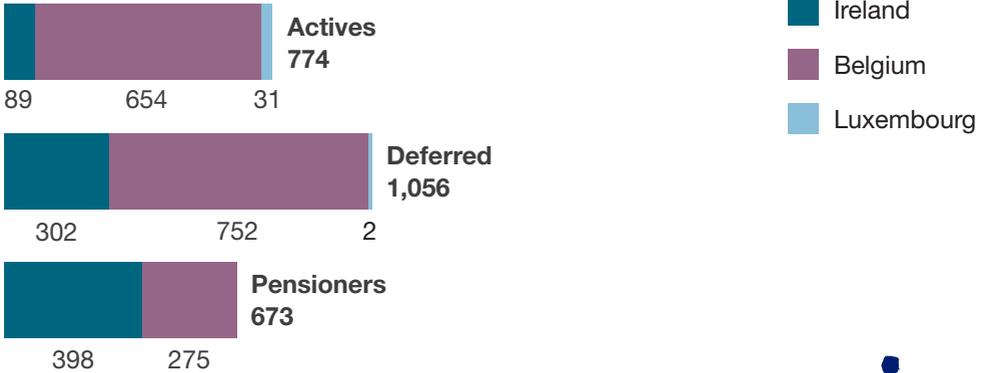
The NEPF is a cross-border pension arrangement that manages pension arrangements for Nestlé Group employees in three European countries – Belgium, Luxembourg and Ireland. It is one single legal entity, with responsibility for the assets and liabilities of six separate pension schemes. From a legal perspective, the assets of all of the participating schemes are managed collectively. However, in practice, the NEPF administratively ring-fences the assets and liabilities of each individual scheme based on parameters such as the asset value at the point each scheme transferred to the NEPF.

At 31 December 2014, the assets were allocated as follows:



Membership

Membership as at 31 December 2014

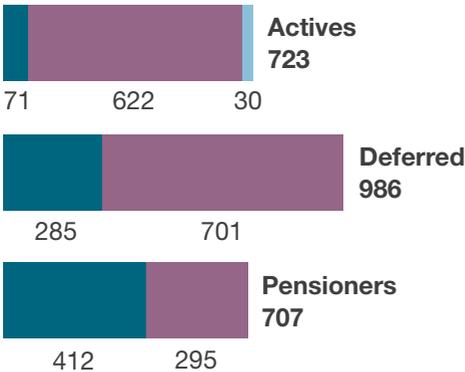


Total members in NEPF in 2014

2,503



Membership as at 31 December 2013



Total members in NEPF in 2013

2,416



Income and expenditure

Here's a summary of the NEPF's accounts for the year ending 31 December 2014, compared with the year ending 31 December 2013.

Monies coming into the NEPF	€000 2014	€000 2013
Company contributions	2,364	3,500
Member contributions including AVCs and transfers-in	723	80,716
Annuities, investment and other income	360	289
Change in market value of investments	16,071	9,092
Total	19,518	93,597

Monies going out of the NEPF	€000 2014	€000 2013
Benefits payable	6,763	5,771
Administration expenses	1,066	825
Investment / legal expenses	96	25
Tax	1,963	1,028
Repayment of loan to Nestlé	2,592	-
Total	12,480	7,648

Info point

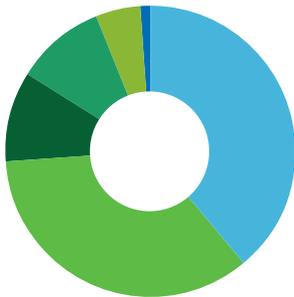
As the NEPF is based in Belgium, the annual accounts are prepared in accordance with Belgian accounting standards. This means there are some differences in the items that are accounted for and the way in which they are accounted for, compared to pension fund accounts prepared using Irish accounting standards.

Investments

The assets of the NEPF are invested in accordance with its **Strategic Asset Allocation (SAA)**. The SAA sets out what percentage of the NEPF's overall assets should be invested in a particular type of investment or asset class over the long term.

The SAA is decided based on the findings of an annual Asset Liability Modelling (ALM) study. An ALM study is a detailed financial report prepared by the NEPF's Actuary, which considers all of the potential financial, economic and demographic risks that might impact on the NEPF's financial health for good or bad over the long and short term. It also makes recommendations as to how the NEPF might best invest its monies to offset these risks and ensure that it has sufficient monies in future to pay all of the pensions built up by members in the various NEPF schemes.

The Strategic Asset Allocation as at 31 December 2014 was:



Bonds	39%
Equities	35%
Property	10%
Hedge funds	10%
Private equity	5%
Cash	1%

The following changes were made to the SAA during 2014:

- Diversified equity holdings by adding a new allocation to private equity;
- Reduced allocation to government bonds and increased allocation to corporate bonds;
- Reduced allocation to hedge funds;
- Moved out of commodities.

Investment performance

In the year to 31 December 2014, the NEPF achieved a return of 11.9% on its assets (compared with a benchmark of 12.4%). All of the asset classes in which the Fund invests performed strongly during 2014.

Benchmark – a reference measure used for comparative purposes, in this case the investment return against which an investment fund is measured.

Over the longer term, and since becoming a cross-border arrangement, the NEPF has achieved the following returns:



Funding

Every year, the Board of the NEPF produces a funding update to let you know how the NEPF is doing.

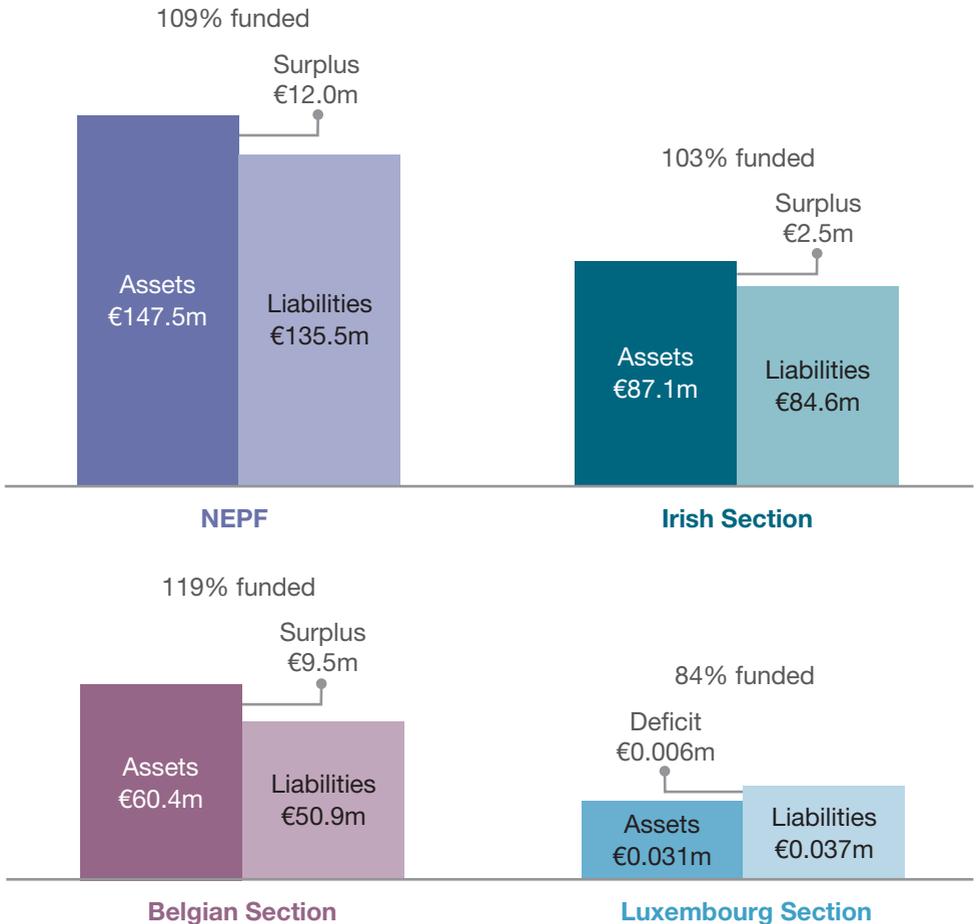
To do this, the NEPF's Actuary compares the value of the NEPF's assets (the money it has available) against its liabilities (the estimated amount of money it needs to ensure that in future it can pay the benefits members have already earned). Comparing the assets with the liabilities gives a funding 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 members' benefits).

Under Belgian funding regulations, the Actuary is required to value the liabilities on both a 'short-term' and 'long-term' basis, using different assumptions. The NEPF as a whole, and each of its sections, must be at least 100% funded on the short-term funding basis at all times. If any section is found to be less than 100% funded, the sponsoring employer of that section is required to make an additional payment as soon as possible (within the same calendar year) to bring the short-term funding level back to 100%.

Additionally, if any section is found to be less than 100% funded on the long-term funding basis, a formal recovery plan has to be put in place, under which the employer makes additional contributions to remove the deficit within a five-year period.



This is how the NEPF and its sections were funded as at 31 December 2014 on a long-term basis:



Info point

The asset values used to calculate the funding levels are lower than those stated on page 4 because the Actuary does not have to take the monies invested in the NEPF's defined contribution plans into account in the calculation.

Funding (continued)

What's changed since last year?

In the year since 31 December 2013, funding has improved on a long-term basis in both the NEPF overall (from 107% to 109%) and the Belgian Section (from 113% to 119%). Their funding also improved on a short-term basis: NEPF overall from 120% to 126% and the Belgian Section from 137% to 149%.

The funding of the Irish Section improved on a short-term basis (from 110% to 114%) over the same period, but deteriorated slightly on a long-term basis (from 104% to 103%). Many different factors influence the funding levels year on year – for example, the value of the assets as well as the assumptions used to perform the calculations. The assumptions are reviewed every year and do change from time to time, taking into account market conditions.

Funding levels also deteriorated on both a long-term and short-term basis in the Luxembourg Section. The Luxembourg Section is very small, with relatively few assets compared to the other sections, so any change in the assumptions from one year to the next, however small, will always have a material impact on funding levels.

Info point

The NEPF calculates funding levels using a Belgian funding basis. This is different to the Minimum Funding Standard that is used to test the funding level of defined benefit pension schemes based in Ireland and uses different assumptions to calculate the liabilities.



Other things we need to tell you

Under Irish 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. 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.

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

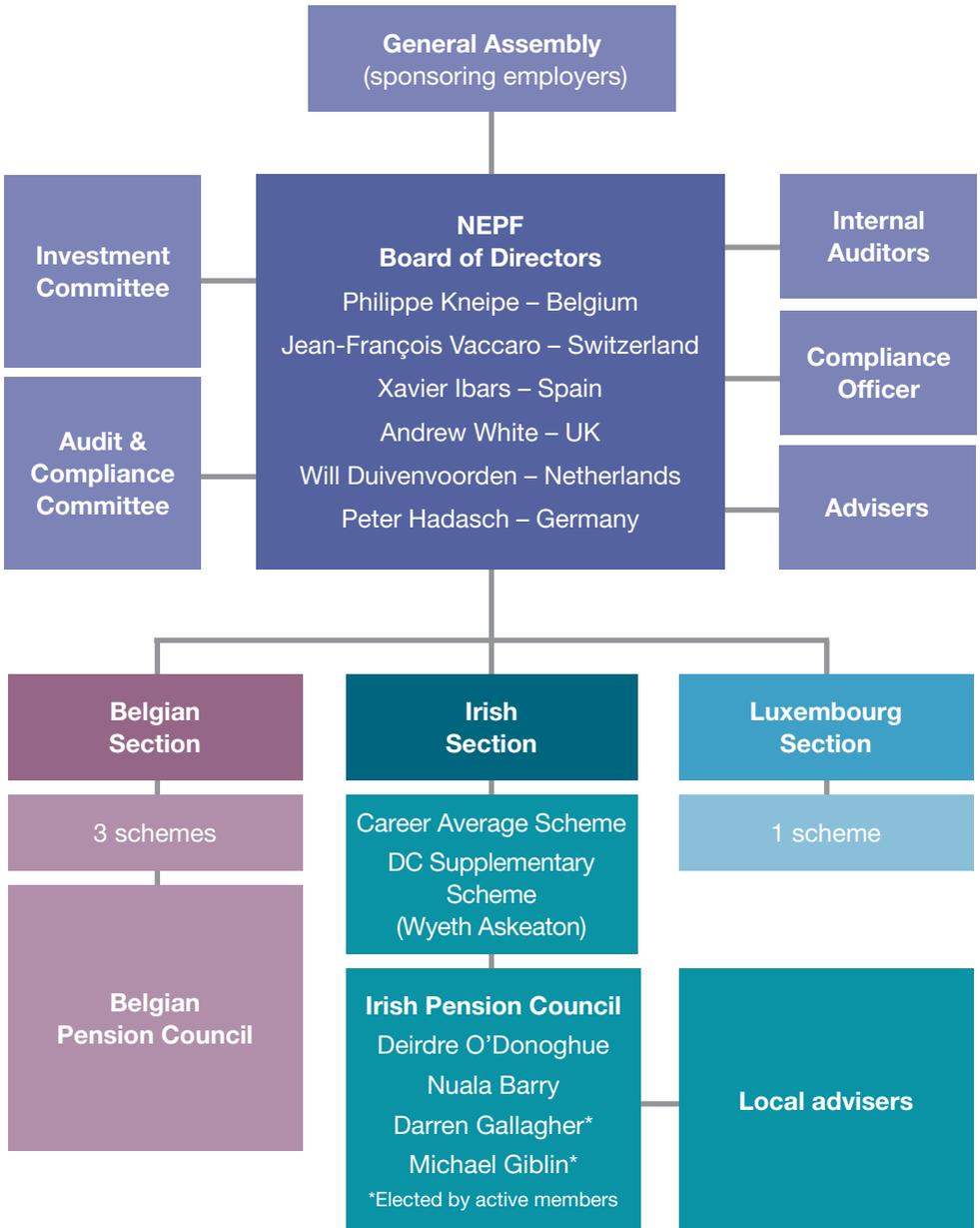
- By-Laws
- Statement of Investment Principles
- Actuarial Report
- Annual Accounts
- Financing Plan
- The Management Agreement

About the Irish Section

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



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 Nestlé (Ireland) Pension Fund. 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, AIB

Custodian – Northern Trust

Investment advisers – Nestlé Capital Advisers

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

Solicitors – Claeys & Engels

Underwriter – Generali

Irish Section

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

Administrators – Nestlé Pensions, Gatwick

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:

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Brussels
Belgium

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