

# Nestlé (Ireland) Pension Fund and the Nestlé European Pension Fund



## Pension Changes - proposals

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# Today



- Presentation for pensioner and deferred members:
  - Why is change essential?
  - What are the proposed changes?
  - How do they affect you?
  - What happens now?



## ***Really important information -***

- If you are a pensioner, your pension will continue to be paid at the same time each month
- The pension will also increase each year in the same way as it does now
- If you are a deferred pensioner, your pension at retirement will be calculated in exactly the same way as it now

# Background



- Nestlé is committed to providing quality pension benefits for our members and employees in Ireland
- We want to provide pension benefits that are sustainable for the long-term
- We want to protect the benefits that members have built up in the past
- For our current employees we will continue to offer a defined benefit option for current and new employees, but on a new career average basis
- 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
- 791 members
  - 104 active members
  - 251 deferred pensioners
  - 436 pensioners
- About €61m of assets
- Significant deficit
- Final-salary design

## 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?

- Key changes will affect current and future active members only – the Company will provide employees with new options for building up future pension (move from final salary to Career Average pension)
- Protect pensions that have already been built up – all members
- These changes are planned to be effective from 1 April 2012
- Proposal to transfer all the assets and pensions from the current Fund to a Nestlé pan-European pension arrangement based in Belgium at the same date





## Nestlé European Pension Fund

- As part of changes, the Company has put a proposal to the Trustee to transfer the assets of the current Fund to an existing Nestlé pan-European pension arrangement based in Belgium – the Nestlé European Pension Fund
- This will allow Nestlé to consolidate / operate pension arrangements for several European countries within one pension arrangement
- More flexibility, more cost-effective, so helping ensure the long-term sustainability of our pension arrangements
- A new Irish Section will be created inside the Nestlé European Pension Fund.

# Nestlé European Pension Fund

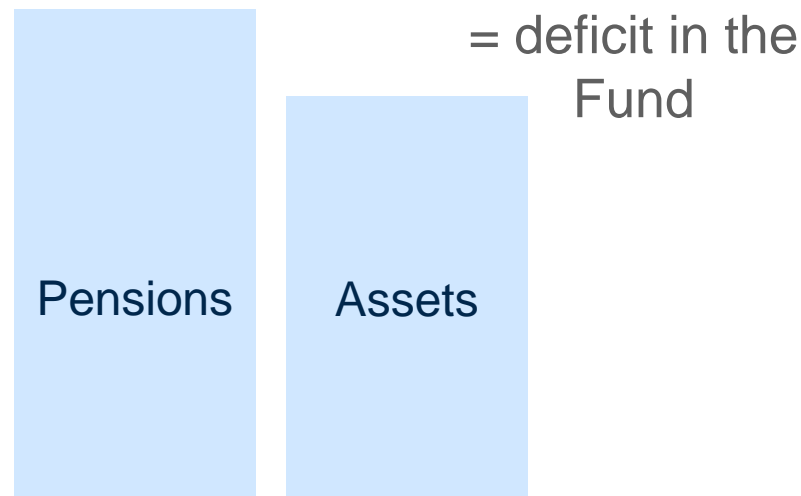


- When the transfer of assets takes place, the Company will make a significant additional payment to the new arrangement to ensure that the new Irish section is fully funded on a Belgian funding basis.

## Financial health checks



- Valuations determine whether there is enough money to pay for all the past benefits that have built up.
- The Actuary compares the assets in the Fund with the value of all the past pension benefits (liabilities)



- Nestlé is responsible for paying contributions required to pay for any deficit that exists in relation to benefits earned in the past.

# Nestlé European Pension Fund



- This will provide greater financial security for all members and will allow the Board of the Nestlé European Pension Fund to start permitting early retirements from the Irish Section.
- The new Irish section will remain subject to Irish tax legislation
- Current administrative arrangements will not change.



## Who will be affected?

- All members' benefits (actives, pensioners and deferreds) will be held by / paid from the Nestlé European Pension Fund from April 2012 onwards.
- Pensioners and deferred members will NOT be affected by any of the changes to future benefit design – these will only affect current and future active members of the Fund.
- Pensioners will continue to have their pension paid in the same way as at present
- The pension payable to deferred members will be calculated on the same basis as at present



## What happens now?

- You recently received a letter dated 10 February outlining the proposal
- Company and Trustee will consider any formal written feedback received from members up to 9<sup>th</sup> March
- Company and Trustee will write to all members to provide details of the feedback received and inform them of the outcome of their deliberations and confirm the actual transfer date
- Assets and liabilities (pension benefits) of the Nestlé (Ireland) Pension Fund will transfer to the Nestlé European Pension Fund on the transfer date

# Questions and Answers

