



Nestlé UK Pension Fund

Pensions News 2014



Increase in Fund value

The value of the Fund increased by £309 million during the year.

Budget 2014

See page 3 for an update.

Positive investment returns

The Fund's equity portfolio produced strong returns in 2013, resulting in positive returns overall. See page 5 for more information on investments.

Welcome



Welcome to the 2014 edition of Pensions News. Inside you'll find a summary of the accounts for the Nestlé UK Pension Fund (the Fund) for the year ending 31 December 2013.

We're pleased to report that despite continued uncertainties over the global financial situation, 2013 was a strong year for the Fund's investments. Total investments returned 11.2% for the year, outperforming the investment benchmark by 2.4%.

The Fund's three-yearly valuation was completed in March 2014 and you can read about the results in the enclosed Funding Update.

In August 2013, we welcomed over 1,900 new members into the Fund as a result of auto-enrolment and the creation of the new Starter Lane. You can see the updated membership figures on page 8.

The terms of office of four of the five current Member-Nominated Trustee Directors (MNDs) are due to expire and, as a result, we are looking to appoint new MNDs in stages over the next three years. This year we are inviting applications from active and pensioner members to fill two vacancies. I'm pleased to report that nearly 30 members have expressed an interest in becoming an MND. Active and pensioner members can find a reminder of the appointment process in the newsletter sent to them in June.

In other changes to the Trustee Board, Martin Wagner was replaced by Jean-François Vaccaro on 1 February 2014. I would like to thank Martin for his contribution to the Trustee Board and to welcome Jean-François.

On a final note, you will probably have seen a lot in the media about George Osborne's Budget announcement, which introduced some changes to the way members can access pension savings at retirement. You can read about these changes on page 3.

As always, the Trustee Board is committed to running the Fund in the best interests of members and their benefits.

A handwritten signature in white ink that reads "Paul".

Paul Vernon
Chairman of the Trustee

August 2014

The 2014 Budget

Following the Government's 2014 Budget announcement in March, you may have seen reports in the media about changes to how pension scheme members can access their pension savings. Some changes have already come into effect and further changes will come into effect from April 2015.

The changes are designed to give savers more freedom when it comes to unlocking their pension savings. However, many of the changes will only apply to Defined Contribution (DC) pensions, where members build up an individual pot of money – for example, the Fund's Starter Lane and Lane 1. The Government is still considering some aspects of the April 2015 changes. It is not yet clear how members with Defined Benefits (DB) will be affected (for example, members of Lanes 2 or 3 or our former Gold and Silver sections) or how members with both DB and DC pensions will be affected (for example, members who have Additional Voluntary Contributions in Lane 1 or with our other former external AVC providers and have DB pension).

Finally, please be aware that although the Government will be updating legislation and tax requirements to reflect the Budget changes, the changes will not automatically apply to the Fund. The legislation will be 'permissive' which means that pension scheme trustees and employers will be able to choose which aspects of the reforms they wish to introduce to their own schemes. We will send more detailed information about the changes and any new options available to Fund

members once we have had time to analyse and consider the final detail.

(If you are a pensioner member, you are already receiving your pension from the Fund, so it is not expected that the changes will apply to you.)

If you are an active or a deferred member and you are thinking of retiring in the next 12 to 24 months, you may wish to consider taking some financial advice. You can find details of financial advisers in your area at www.unbiased.co.uk. Neither the Trustee nor Nestlé Pensions can provide you with financial advice about your retirement options.

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Income and expenditure

Here's a summary of the Fund's Accounts for the year ending 31 December 2013, compared with the year ending 31 December 2012.

Money coming into the Fund

	Year to 31 December 2013 £000s	Year to 31 December 2012 £000s
Employer contributions*	114,054	151,173
Employee contributions	15,606	14,377
Transfers in	1,305	938
Investment and other income	28,129	26,051
Change in market value of investments	315,065	132,095
Total	£474,159	£324,634

Money going out of the Fund

	Year to 31 December 2013 £000s	Year to 31 December 2012 £000s
Pensions paid including lump sum benefits	152,456	142,618
Lump sum death benefits	498	841
Payments to leavers	2,606	2,343
Administration expenses including PPF levy**	5,791	4,508
Investment management expenses	3,382	3,468
Total	£164,733	£153,778

*The 2012 employer contributions include deficit contributions brought forward by Nestlé from 2013 and 2014.

**PPF (Pension Protection Fund) levy: £1.9m in 2013 compared with £1.1m in 2012.

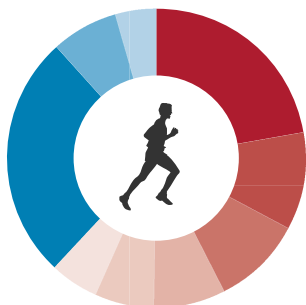
Value of the Fund



Defined benefit investments

The Fund's investments performed well in 2013, with the Fund's equity portfolio returning 21.7% over the year. As a result, the Fund's overall return on investments for the year was 11.2%, exceeding the benchmark by 2.4%.

Here's where the Fund's assets (excluding money in Lane 1) were invested as at 31 December 2013:



European Equities (including UK)	22.3
Rest of World Equities	10.6
US Equities	9.7
Hedge Funds	7.7
Property	6.5
Private Equity	5.2
UK Index-linked Bonds	26.6
Other	7.0
Cash	4.4
Total	100.0

Investment jargon explained

Return-seeking assets

These are higher-risk investments, such as equities, which are expected to deliver higher investment returns in the long term, but can drop or rise in value suddenly in the short term. They include:

Equities – shares in companies.

Hedge Funds – designed to reduce risk and preserve the value of the investment whilst keeping a consistent, reasonable level of return.

Property – provides returns from both rental income and change in capital value.

Private Equity – shares in companies not traded on the stock exchange.

Matching assets

These are investments that aim to 'match' the value of the Fund's pensioner liabilities and which are more stable in value. They include:

UK Index-linked Bonds – pay returns linked to inflation.

Cash funds – provide returns through the payment of interest and can still go up and down in value.

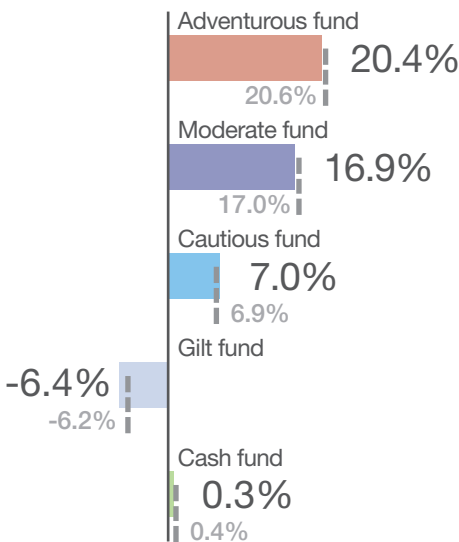
Under a revised investment strategy, over the next 20 years, the Trustee aims to gradually reduce holdings in equities to around 15%. At the same time, investments in 'matching plus' assets, such as company bonds, will increase to around 55%.

Lane 1 and the Starter Lane

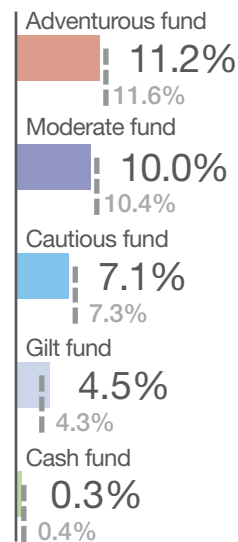
The chart below shows the performance of the Lane 1* funds compared with the benchmark. If you are invested in one of the Pathway options, you may be invested in one or more of the funds below. If you are in the Starter Lane*, you are invested in the Moderate Pathway, which is made up of the Moderate fund, the cash fund and the gilt fund, depending on how far you are from retirement.

*Lane 1 and the Starter Lane are defined contribution sections of the Fund, introduced in 2010 and 2013 for current employees.

Year to 31 December 2013



1 August 2010 - 31 December 2013**



**Annualised returns

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

For more information about the Lane 1 funds, updated performance information and details of the charges for the different investment options, go to the investments section of our website (see back page).

What the performance figures mean to you

Here's how much you would have at the end of the year if you had invested £100 in each of the five funds at the start of the year:



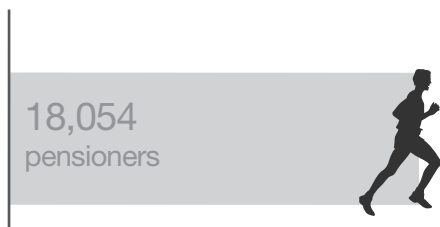
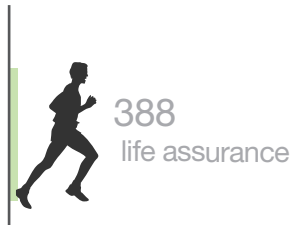
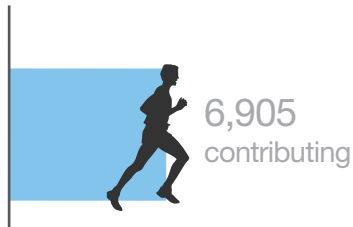
The Adventurous and Moderate funds performed strongly due to their high equity content. Following several years of unusually high returns, gilt markets fell back during 2013 as a result of the easing of financial market conditions. This is why the gilt fund produced a negative return in the 12 months to 31 December 2013. Remember that past performance is not an indicator of future performance and that the value of funds can go both up and down. When saving for your retirement, long-term performance (i.e. over several years) is more important than short-term performance (e.g. over 12 months).

All the figures shown are net of the fees i.e. after the investment management charges have been deducted. Note, if the returns achieved are less than the charge applied, the value of your investment will reduce.

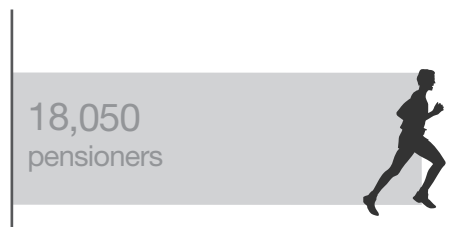
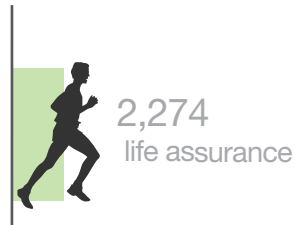
Membership

The graph below shows the membership of the Fund at 31 December 2013 compared with the membership at 31 December 2012. The shift in membership from life assurance only members to contributing members is due to those life assurance only members starting to contribute to the Fund following the introduction of auto-enrolment in August 2013.

2013



2012



Pension increases

(for pensioners and deferred pensioners)

These increases do not apply to pension purchased with accounts built up in Lane 1 or the Starter Lane.

Increase for pensioners*

For pension earned
up to 5 April 2006

2.8%

For pension earned
from 6 April 2006

2.5%

Based on RPI movement to 31 January 2014 of 2.8%.

Increase for Purina pensioners**

For pension earned
up to 5 April 2006

2.7%

For pension earned
from 6 April 2006

2.5%

Based on RPI movement to 31 December 2013 of 2.7%.

Increase for deferred members

For pension earned
up to 5 April 2009

1.9%

For pension earned
from 6 April 2009

1.9%

Based on CPI movement to 31 January 2014 of 1.9%.

*Where applicable, an increase of 2.7% was paid on Guaranteed Minimum Pension (GMP) payable from the Fund. This was based on CPI movement of 2.7% to 30 September 2013.

**Pensioner members of the former Purina UK Pension Plan.

Working for you

Nestlé UK Pension Trust Ltd and its advisers manage the Fund on your behalf.

Your Trustees

There are 10 Trustee Directors who have the responsibility for ensuring that the Fund is run in line with the Fund Rules. The Directors take their responsibilities very seriously and receive training in connection with their role.

Half of the Directors are elected by employee or pensioner Fund members, under the Fund's election procedures.

The Trustee Directors are:

Michael Anthony* (Chairman of the Governance and Compliance Committee)	Hayes
Sean Conricode*	York
Alison Fisher	York
John Lees*	Tutbury
Elizabeth Messud	Gatwick
Tim Orme (Chairman of the Investment Committee)	Pensioner
Bill Pringle*	Fawdon
George Tutill*	Pensioner
Jean-François Vaccaro	Switzerland
Paul Vernon (Chairman of the Board and the Valuation Committee)	Gatwick

*Elected from the membership

Matt Stripe and Martin Wagner were also Trustee Directors during the year and were replaced respectively by Alison Fisher on 1 May 2013 and Jean-François Vaccaro on 1 February 2014. Michael Anthony and John Lees are stepping down as Trustee Directors during 2014 and, at the time of writing, we are seeking nominations for their replacements from active and pensioner members.

The Advisers

Administration:

Nestlé Pensions

1 City Place, Gatwick, RH6 0PA

Andrew White
(Head of Group Pensions)

Heather Anderton
(Pensions Strategy & Projects Manager)

Jayne Atkinson
(Investment Services Manager)

Andrew Bayliss
(Trustee Governance & Compliance Manager)

Rob Brown
(Pensions Operations Manager)

Sarah Drake
(Pension Communications Delivery Manager)

Hassan Shirwani
(Pensions Accountant)

Actuary:

Lane Clark & Peacock LLP

Mr J D Jones MA FIA

Auditors:

KPMG LLP

Bankers:

HSBC Bank plc

Custodian:

The Northern Trust Company

Investment Managers:

Nestlé Capital Management Ltd
Fidelity Worldwide Investment
plus various others

Investment Consultants:

Nestlé Capital Advisers
Lane Clark & Peacock LLP
Redington Limited
(Defined Benefit)

PricewaterhouseCoopers LLP
(Defined Contribution)

Solicitors:

Sacker & Partners LLP



Contact us

If you have any queries about your benefits or would like a copy of the full Trustee Report and Accounts, Valuation Report, Statement of Funding Principles, Recovery Plan, Schedule of Contributions or Statement of Investment Principles, please contact us:

Write:

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pensions@uk.nestle.com

Website:

www.nimpensions.co.uk
(password: nestlepensions)

Quick Response code

If you have a smartphone, you can download a free Quick Response (QR) code app. If you scan this code, you will be able to access www.nimpensions.co.uk

