

Summary Funding Statement

December 2018

Keeping you up to date with your pension fund's financial position

Chairman's welcome

Every year, the Trustees of the Nestlé UK Pension Fund (the Fund) produce a Summary Funding Statement, like this one, to give you an update on the funding position of the Defined Benefit (DB) Sections of the Fund.

We use independent advisers to help us to monitor the Fund's finances, and this statement gives you a snapshot of the Fund on 31 December 2017.



This showed an estimated shortfall (or deficit) in the Fund of £470 million. Although there is a shortfall, we have agreed a funding plan with the Company which is intended to provide enough money to pay benefits owed. Under this funding plan, Nestlé UK Ltd is currently paying contributions of £86 million a year. The next Fund valuation is due to take place as at 31 December 2018. It will take us several months to complete the valuation. We'll update you on the results when they are available, and issue an updated Summary Funding Statement.

Steve Delo
Chairman of the Trustees
On behalf of the Trustees of the Nestlé UK Pension Fund.

Contact details

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



Write to:
Nestlé Pensions
1 City Place
Gatwick
RH6 0PA



Email:
pensions@uk.nestle.com



Call us:
020 8667 6363

Are your details up to date?

Please let us know if your contact details have changed. If you would like to change the people you have nominated to receive benefits upon your death, please complete a **Nomination Form**.

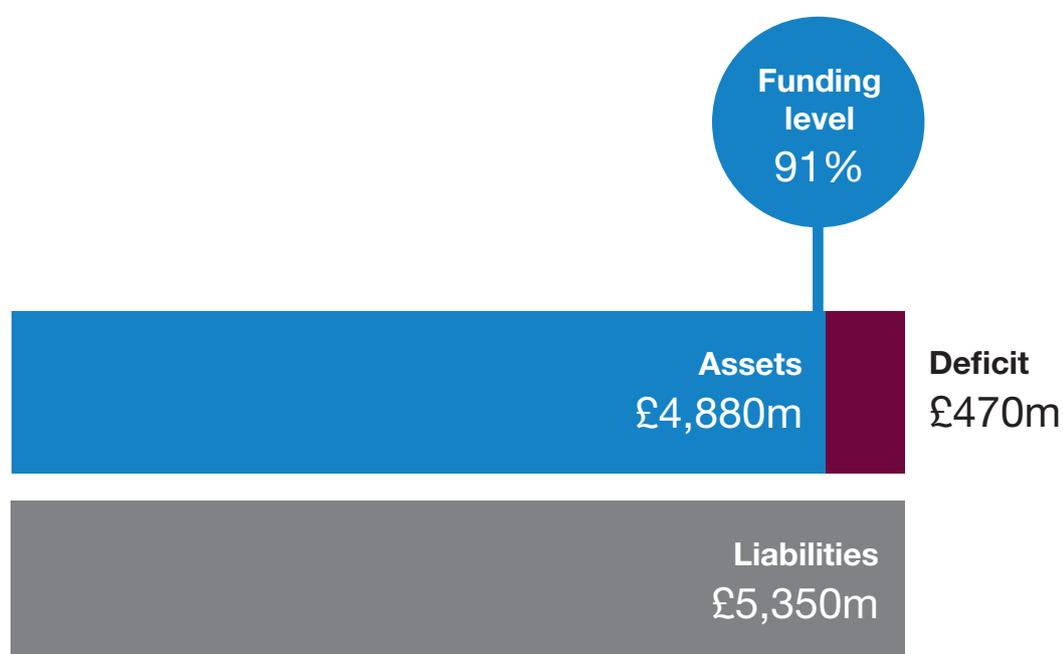
If you'd like a printed copy of this statement, please contact us using the details on the left.

A snapshot of the Fund on 31 December 2017

At 31 December 2017 the Fund's liabilities were £5,350 million, but the actual assets were £470 million less than this.

This £470 million shortfall does not affect the pensions being paid out of the Fund – we have always paid members their full pensions.

In order to fill the gap, Nestlé UK Ltd paid £104.5 million into the Fund in 2016, £89 million in 2017 and £86 million in 2018, and has agreed with the Trustees to make further payments of £86 million from 2019 through to 2022, with a final payment of £63 million due by the end of 2022.



Assumptions

The Trustees employ an independent expert to provide regular financial health checks on the Fund's finances. These regular check-ups involve calculating the Fund's liabilities.

The liabilities of the Fund 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.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on the Fund's investments, among other factors.

Assets of the Fund

The assets of the Fund come from contributions paid by members and by Nestlé UK Ltd and the other participating employers, together with investment growth.

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

The 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.

Your questions answered

How have the Fund's finances changed since the last update?

The chart shows that the shortfall on 31 December 2017 was £470 million.

When we wrote to you last year, the snapshot on 31 December 2016 showed a shortfall of £650 million.

The Fund's financial position has therefore improved by £180 million over the year. This is partly due to the contributions paid by Nestlé UK Ltd, although we expect the snapshot to change from year to year because the Fund's finances depend on changes in global financial markets.

Will I be asked to pay more?

Member contribution rates are not affected - Nestlé alone is responsible for clearing the deficit. Please note, this is different to the contribution sharing mechanism, where member contribution rates could change, depending on the cost of providing DB benefits. This cost is calculated every three years as part of the Fund's formal valuation process.

Has Nestlé taken any money out of the Fund?

Regulations require us to tell you whether Nestlé UK Ltd has taken any money out of the Fund since the date of our last Summary Funding Statement. We can confirm it has not.

What if the Fund has to wind up?

Nestlé UK Ltd and the Trustees do not intend to wind up the Fund. As Trustees we do however monitor the impact on the Fund should Nestlé no longer be able to support the Fund. In this event, a wind-up of the Fund would likely begin and the responsibility for paying members' pension benefits would be transferred to an insurance company.

We also monitor the cost of securing all members' benefits with an insurance company. The most recent estimate provided by our independent advisers looked at the position on 31 December 2015. This estimate showed that Nestlé UK Ltd would have to make an additional final contribution of about £2,790 million to make sure all members' pensions could be paid in full by an insurance company. This is larger than the shortfall shown on page 2, but this is fairly common among similar UK pension Funds.

If Nestlé UK Ltd became insolvent and could not afford to pay this, you might not get your full pension benefits. In practice, if Nestlé UK Ltd was unable to pay further contributions to the Fund, in the case of an insolvency for example, we expect that further funds would become available under the £1.1 billion guarantee provided by Nestlé's parent company, Nestlé SA.

Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension fund members with added security should Nestlé become insolvent and unable to pay the final contribution. 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 they 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.

Visit pensionprotectionfund.org.uk for more information and guidance about the Pension Protection Fund.

Alternatively, you can contact the Pension Protection Fund using the details below.

Address: 12 Dingwall Road, Croydon, Surrey, CR0 2NA

Telephone: 0845 600 2541

