



# Nestlé Pension Plan

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## General Summary for the Nestlé Account Benefit

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*This summary is for general purposes only and is designed to highlight basic Plan provisions and benefits for newly hired employees. Employees should refer to the Summary Plan Description (“SPD”) for a thorough explanation of the Plan. If there is any discrepancy between this summary and the provisions of the SPD and the formal Plan document, the official documents will be the controlling authority. In addition, certain employees at locations acquired as part of company transactions, as well as employees who participated in certain predecessor plans, may be subject to special rules not addressed in this summary.*

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### **Participation**

You are eligible to participate in the Nestlé Pension Plan (the “Plan”) on the January 1 following your date of hire. You are enrolled automatically. Employees eligible to participate in the Plan are salaried employees of certain Nestlé US companies, along with hourly employees at certain locations.

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### **Contributions**

The Plan is 100% Nestlé-funded, at no cost to you.

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### **Tax-Qualified Status of Plan**

The Plan is intended to be a tax-qualified retirement plan under federal law. This means that you do not pay taxes on the benefit accrued under the Plan until it is distributed to you.

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### **Definitions**

*Vesting Service (VS)* – You are vested – meaning you “own” the benefit – after completing three years of Vesting Service, or at age 65, whichever comes first. Generally, Vesting Service is all your years of continuous service with Nestlé, beginning at your date of hire.

*Credited Service (CS)* – Your service while a covered employee in the Plan. It is used in determining the amount of your benefit payable from the Plan. You generally earn a month of Credited Service for each month in which Nestlé employs you for at least one day.

*Points Service (PS)* – Your service recognized in determining your “points,” as described on page 3.

*Five-Year Average Annual Compensation (AAC5)* – The average of your “Compensation” (sometimes referred to as Pensionable Earnings) during your highest-paid five consecutive years out of the last 10 years while a covered employee in the Plan. In general, Compensation is your wages or salary, commissions, certain management incentive plan bonuses, and overtime paid to you, up to an annual maximum set by law. AAC5 is sometimes referred to as your Final Average Pay.

*Social Security Covered Compensation (SSCC)* – The average of Social Security wage bases over the previous 35-year period ending in the year prior to the date you terminate employment or cease to be a covered employee under the Plan. The Social Security wage base is the maximum amount of pay on which you and Nestlé pay Social Security taxes each year.

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### **Determining Your Benefit**

The value of your pension is expressed as a lump sum payable when your employment ends. The specific details, and an example, of how your Nestlé Account Benefit will be determined are described in this summary.

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### ***When Benefit is Payable***

Your pension is portable - you can receive the value of your vested Nestlé Account Benefit when your employment ends, regardless of your age.

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### ***Forms of Payment***

***Lump Sum*** – You receive the value of your Nestlé Account Benefit in a single, one-time payment. You can complete a direct rollover to an IRA or other qualified plan (including the Nestlé 401(k) Savings Plan), and defer taxation until you take a subsequent distribution from the IRA or plan. Alternatively, you may elect to receive the lump sum payment in cash, which would be taxable and subject to possible penalty.

***Single Life Annuity*** – You receive a monthly benefit – based on the value of your lump sum – for your lifetime only. At your death, all pension payments stop. If you are not married when your payment begins, your benefit will be paid as a Single Life Annuity unless you elect another form of payment.

***Joint and Survivor Annuity (50% or 100%)*** – You receive a reduced monthly benefit for your lifetime. At your death, 50% or 100% of your benefit (as elected at retirement) will continue to your surviving spouse, or other designated beneficiary, for life. If you are married when your payment begins, your benefit will be paid as a 100% Joint and Survivor Annuity with your spouse as beneficiary – unless you elect another form of payment or beneficiary, and your spouse consents to the election, as necessary.

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### ***Deferring Payment***

If you terminate employment with Nestlé and choose to defer payment to a later date (or, if earlier, you transfer out of covered status), the lump sum value of your Nestlé Account Benefit will grow at an annual rate of 3%.

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### ***Pre-Retirement Death Benefit***

If you die before commencing your benefit, your designated beneficiary will receive the value of your benefit. If you are married, your spouse must consent to your designation of someone other than your spouse as beneficiary.

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### ***Disability Benefit***

If you become totally and permanently disabled as defined by the plan, you may begin payment of your vested benefit at any time. However, any payments you receive from a Nestlé-sponsored disability plan may be offset by any pension payments you receive. If you choose not to begin payment, your benefit will continue to accrue under the Plan until age 65.

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### ***Plan Insurance***

Nestlé pays insurance premiums for the Plan to the Pension Benefit Guaranty Corporation (“PBGC”), which is a government agency. In the unlikely event that the Plan could not pay benefits, the PBGC would guarantee a base level of benefits in accordance with its own rules and procedures.

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### ***Additional Information***

Following are additional sources of information regarding your pension benefit:

- Summary Plan Description: available on the intranet
- Nestlé intranet > Human Resources > My Finances > Pension
- Nestlé HR Service Center: 1-877-637-2255

**Determining Your Benefit – Specific Details**

The value of your pension is expressed as a lump sum payable when your employment ends. The specific details are as follows:

- 1) You earn an annual basic pension percentage based on the sum of your age and years of PS (or “points”) for each year of CS in the Plan. To determine your points, the Plan generally uses your age and PS counted in whole years completed by December 31 of each year. Your points are then converted to an annual basic pension percentage each year, as shown in the table below:

Age + PS (Points)	Annual Basic Pension %
Less than 40	4%
40 – 49	5%
50 – 59	6%
60 – 69	8%
70 – 79	10%
80 – 89	12%
More than 89	15%

- 2) When your employment ends, your annual basic pension percentages are added together to determine your total basic pension percentage.
- 3) Your total basic pension percentage is multiplied by your AAC5 to determine the lump sum value of your basic pension benefit.
- 4) If your AAC5 exceeds the SSCC amount in the year your employment ends, an additional lump sum amount is added to your benefit. This excess pension benefit is determined by multiplying 3.5% times your total years of CS times your AAC5 in excess of the SSCC amount.
- 5) Your total lump sum Nestlé Account Benefit is equal to the sum of your basic pension benefit (Step 3) and your excess pension benefit (Step 4).

You can elect to: (a) roll over this lump sum, (b) receive this lump sum in cash, (c) convert it to a monthly annuity, or (d) defer payment until a later time.

**Determining Your Benefit - An Example\***

Assume Michael is hired in January of 2010 and works until December of 2014. When his employment ends, he is age 55 with 5 years of PS and CS. His AAC5 is \$72,000, which exceeds the SSCC amount (estimated at \$67,900 for this example) by \$4,100. Michael’s pension will be calculated as follows:

- 1) For each year of Michael’s CS, an annual basic pension percentage is determined based on the sum of his age and years of PS.

Year	Age	PS	= Points	Annual Basic Pension %
2010	51	1	52	6%
2011	52	2	54	6%
2012	53	3	56	6%
2013	54	4	58	6%
2014	55	5	60	8%
Total Basic Pension Percentage				32%

- 2) When Michael’s employment ends, his annual basic pension percentages are added together for a total basic pension percentage of 32%.
- 3) The total basic pension percentage is multiplied by Michael’s AAC5 to determine the lump sum value of his basic pension benefit: 32% x \$72,000 = \$23,040.
- 4) The portion of Michael’s AAC5 that exceeds the SSCC amount is multiplied by 3.5% times his total years of CS to determine the lump sum value of his excess pension benefit:

$$3.5\% \times 5 \text{ years} \times \$4,100 = \$717$$

- 5) Michael’s total lump sum Nestlé Account Benefit at age 55 is:

$$\$23,040 + \$717 = \$23,757$$

Michael can elect to: (a) roll over this lump sum, (b) receive this lump sum in cash, (c) convert it to a monthly annuity, or (d) defer payment until a later time.

*\*Numbers may be rounded.*