

Date
22 March 2018
Our reference

Pension scheme

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Subject
Decision on indexation

Handled by
Board of Trustees

Direct line
030 - 277 56 40

Please quote date and our
reference in all correspondence

Philips Pensioenfonds saw its financial health – i.e. its funding ratio – improve in 2017. This means we have good news: your pension will be raised by 0.22% on 1 April 2018. Price inflation for 2017 was 1.3%.¹ While we realize that this is still only a small increase, considering how somber the outlook was a year ago we feel that it represents a strong step in the right direction. This letter provides further details. It also explains what we expect for the coming years.

Policy funding ratio at year-end 2017: 117.2%

During 2017, the policy funding ratio of Philips Pensioenfonds rose from 108.0% to 117.2%. This increase was fueled primarily by the 5.8% investment yield, as well as by a slight rise in interest rates in 2017.

Your pension to increase by 0.22%

Under the fund's indexation policy, the funding ratio of 117.2% means that we can grant a partial increase on the pensions. As such, on 1 April 2018 your pension will be raised by 0.22%. Our ambition was 1.3%: the same as price inflation for the previous year.

Strong possibility of indexation during the years ahead

We expect that we will be able to grant at least a partial increase on your pension during the years ahead. For full indexation (i.e. to match price inflation), our policy funding ratio will need to improve further, to 123%. If the funding ratio climbs beyond 123%, we might even be able to make good the indexation you have missed in previous years. Encouragingly, the policy funding ratio has continued to improve during the initial months of 2018.

Given that our ambition is to increase your pension at the same rate as the prices, our investment policy is aimed at further improving our funding ratio. However, any increase in the funding ratio depends in part on unpredictable factors such as movements in interest rates and share prices. Furthermore, it is good to know that, considering the present funding ratio, we do not foresee any need to lower your pension during the coming years.

➔ Visit www.philipspensioenfonds.nl/indexatiebeleid to find out more about our indexation policy and about the total indexation that you have missed in recent years.

¹ Movements in the derived consumer price index as established by Statistics Netherlands for the period from January 2017 to January 2018.

Interactive dialogue session on May 24th

This year, we will hold an interactive dialogue session on May 24th, which you can view on the Internet. During that session, members of the Board of Trustees will explain the latest developments at Philips Pensioenfonds and answer your questions. If you miss the live session, you can watch a recording on our website.

➔ Visit www.philipspensioenfonds.nl/dialogo to sign up for the interactive session.

Further information

We will continue to provide updates about the latest developments this year, for example in our magazine *Generaties* and in our digital newsletter *Gener@ties*. To subscribe to our newsletter, visit www.philipspensioenfonds.nl/mijnppf (in Dutch). The various funding ratios are posted on our website (www.philipspensioenfonds.nl/english) every month.

I trust that this letter provides you with all the information you need for the present.

With kind regards,
Stichting Philips Pensioenfonds
On behalf of the Board of Trustees



Roel Wijmenga
Chairman of the Board of Trustees