

Date
25 March 2019

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

Toward the end of 2018, we wrote to you about the improved possibilities for indexing your pension due to our decision to update our indexation policy. Thanks to that decision, and thanks also to a slight improvement in the policy funding ratio in 2018, we can grant you partial indexation on your pension again this year. This letter explains how your pension will be increased, and what we expect the coming years will bring.

Your pension to increase by 0.75% on 1 April

In 2018, Philips Pensioenfonds saw its policy funding ratio rise to 119.8%. This funding ratio allows us to realise 75% of our indexation ambition. Our indexation ambition, like that of almost every other pension fund in the Netherlands, is to raise our pensions by the same rate as the price inflation according to the derived consumer price index¹. Last year, that index increased by 1%, and so on 1 April 2019 your pension will be raised by 0.75%.

➔ Visit www.philipspensioenfonds.nl/indexatiebeleid (in Dutch) to find out more about our indexation policy and how we determine by how much your pension will be raised.

Coming years: strong possibility of partial indexation

Whether indexation is possible, and if so by how much, depends on the financial health of Philips Pensioenfonds, expressed in its policy funding ratio. We pursue an investment policy that is aimed at further improving our policy funding ratio. However, the precise developments depend in part on other factors that are difficult to predict, for example changes in interest rates and prices on the stock markets. For the years ahead, we expect the policy funding ratio to remain high enough, i.e. above 110%, for us to grant partial indexation on your pension. For full indexation, the policy funding ratio will need to improve further, to 123%. We also consider it unlikely that we will be forced to lower your pension during the coming years: only if the policy funding ratio drops below 100% will we look at whether we need to cut your pension.

¹ The derived consumer price index is published by Statistics Netherlands (CBS). The indexation decision for 2019 is based on the movements in this index from January 2018 to January 2019.

Interactive dialogue session: 12 June at 3 p.m.

Following the positive response to last year's dialogue session, we will be hosting a second interactive dialogue session that can be followed online. During that session, members of the Board of Trustees will talk about recent developments at Philips Pensioenfond. You will also have the opportunity to ask questions, including of course about how your pension is indexed. If you miss the live session, you can watch a recording on our website.

→ Visit www.philipspensioenfond.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.philipspensioenfond.nl/mijnppf (in Dutch). You can also find monthly updates on the funding ratio on our website (www.philipspensioenfond.nl/english).

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

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



Roel Wijmenga
Chairman