

Date
29 October 2018
Our reference

Pension scheme

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Subject
Decisions on Pension plan

Handled by
Board of Trustees

Direct line
030 - 277 56 40

Please quote date and our
reference in all correspondence

I am writing to you as a participant in the pension plan administered by Philips Pensioenfond. The details of the pension plan are agreed in the collective labour negotiations between your employer and the unions. The most recent negotiations have led to arrangements about the pension plan for the 2019-2021 period. The Board of Philips Pensioenfond has examined whether these arrangements can be put into practice given the agreed contributions and has decided that this is indeed the case. We have also made some decisions about pension indexation. This letter explains the most important decisions that have been made.

Greater certainty of your annual 1.85% pension accrual

The basic principles underpinning your pension plan will remain unchanged. This includes the pension contributions and the targeted accrual percentage. Your employer's contribution to your pension will remain at 24% of your salary. Your own contribution is 2% of the pension base. The targeted accrual percentage will also remain unchanged at 1.85% per year. However, you will have *greater certainty* of the accrual of pension rights: it is highly unlikely that the accrual percentage will fall below 1.85% during the next three years.

More likelihood of indexation

The new arrangements include a lower threshold for the indexation table. This means that it will be more likely that we can raise your accrued pension through at least partial indexation during the coming years. The Philips Pensioenfond indexation table shows precisely when we can grant you indexation. With the threshold for that table being lowered from 116% to the legal minimum of 110%, we can now grant you a partial increase on your pension as soon as the policy funding ratio passes 110%. Moreover, if the policy funding ratio is between 116% and 123%, you will receive more indexation than you did under the old policy.

Additional 0.38% indexation in 2018

The effect of these changes to the indexation table will be noticeable in the short-term: on 1 November 2018 you will receive an additional 0.38% in indexation, on top of the 0.22% already granted on 1 April 2018.

Is there a downside?

As an active participant in the pension plan, you will have greater certainty of building up sufficient pension rights during the coming years. All participants will also be more likely to receive indexation than they were previously. Nevertheless, the changes also have a downside. More indexation means that Philips Pensioenfond's will be paying out more of its money, and that the funding ratio will rise more slowly than it did under the old policy. Principally because of this, financial difficulties in the future will carry a slightly greater risk that your pension will be lowered. In the Board's opinion this is an acceptable trade-off compared with the positive impact that the decisions will have on your pension accrual and pension increases.

Further information

You can find out more about these matters in *Generaties* (in Dutch) and at www.philipspensioenfond's.nl/2019

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

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



Roel Wijmenga
Chairman of the Board of Trustees