

Date
29 October 2018
Our reference

Pension scheme

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Subject
Decisions on indexation

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 the holder of a non-contributory pension with Philips Pensioenfond. Recently, the Board of Philips Pensioenfond made a number of decisions about pension indexation that will also have a positive impact on your pension. This letter explains how this affects you.

→ *The decisions about indexation are related to the arrangements agreed in the collective labour negotiations for active pension plan participants about pension accrual and contributions. Asked whether Philips Pensioenfond can put those arrangements into practice, the Board has decided that this is indeed the case. Visit www.philipspensioenfond.nl/2019 to find out more about these matters and how they are related.*

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 non-contributory 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?

All the participants in the pension plan will be more likely to receive indexation than they were previously. Additionally, active participants will have greater certainty of building up sufficient pension rights during the coming years. Nevertheless, the changes also have a downside. More indexation means that Philips Pensioenfond 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 the pension accrual of current employees and pension increases.

Further information

You can find out more about these matters at www.philipspensioenfonds.nl/2019

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

A handwritten signature in black ink, appearing to read 'R. Wijmenga', with a long horizontal flourish extending to the right.

Roel Wijmenga
Chairman of the Board of Trustees